

AUDITED PROJECT FINANCIAL STATEMENTS

Project N°: 1100001468

IFAD Loan N°: 1000003703 / L-I--806-

Period covered: 01/07/2018 – 30/06/2019

Vegetable Oil Development Project 2 (VODP 2)

Prepared by: Office of the Auditor General

Received on: 24/12/2019

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THE REPUBLIC OF UGANDA

OFFICE OF
THE AUDITOR GENERAL
APOLLO KAGWA ROAD,
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P.O. Box 7083,
KAMPALA.

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"

DCG.240/349/01/19

IN ANY CORRESPONDENCE ON

THIS SUBJECT PLEASE QUOTE NO:.....

5th December, 2019

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, 2019**

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, 2019 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
VEGETABLE OIL DEVELOPMENT PROJECT (VODP) PHASE 2
FOR THE YEAR ENDED 30TH JUNE 2019**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

TABLE OF CONTENTS

LIST OF ACRONYMS	2
REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 (VODP2) FOR THE YEAR ENDED 30 TH JUNE, 2019	3
Opinion	3
Basis for Opinion	3
Key Audit Matter	3
1.0 Implementation of the approved budget	3
Other Matters	7
2.0 Land acquisition	7
3.0 Offer of Land without a lease.....	8
4.0 Delayed Civil works.....	8
Other Information	10
Management Responsibilities for the Financial Statements.....	10
Auditor's Responsibilities for the audit of the Financial Statements.....	10
Other Reporting Responsibilities.....	11
Report on audit of Compliance with Legislation	12
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 30 TH JUNE 2019.....	13
REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNTS OPERATIONS OF THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II, IFAD LOAN NO.806-UG FOR THE YEAR ENDED 30 TH JUNE, 2019	14
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 30 TH JUNE 2019.....	15

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
PMU	Project Management Unit

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF
VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2 (VODP2)
FOR THE YEAR ENDED 30TH JUNE, 2019**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Vegetable Oil Development Project (VODP2) Phase II for the year ended 30th June, 2019. The financial statements set out on pages 18 to 40 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, 2019
- 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, 2019 and the receipts and payments for the year then ended in accordance with the IFAD guidelines and the basis of accounting described under Note 1 (a) to the financial statements

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Vegetable Oil Development Project Phase 2 in accordance with the Constitution of the Republic of Uganda 1995 (as amended), the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. 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.

1.0 Implementation of the approved budget

Section 45 of the Public Finance and Management Act, 2015, requires the Accounting Officer to control the regularity and proper use of the money appropriated to the vote.

According to Section 45 (3) of the same Act, the Accounting Officer shall enter into an annual performance contract with the Secretary to Treasury which shall bind the

Accounting Officer to deliver on the activities in the work plan for the vote for the financial year. Work plans are based on outputs to be achieved for the financial year, and during implementation, effort is required to be made to achieve the agreed objectives/targets for the entity within the available resources.

Paragraph 49 of the budget execution circular for financial year 2018/2019 requires management to prepare budget performance reports that clearly indicate the actual performance against the planned outputs and performance for each quarter showing the quantity/quality and physical location of the reported outputs against expenditure. All performance reports should be based on the program budgeting system (PBS) programs and subprograms.

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

In the overall office wide planning, I assessed risks like 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 outputs of the entities which greatly impact on the wellbeing of communities.

Consequently I developed procedures in order to address the performance of the budget of the entity:

- Ascertaining the amount received by the entity and the source of the funding
- Inquiring from management of off-budget financing received and ascertaining the basis for the off-budget financing, if any.
- Comparing the approved budget against the actual receipts
- Comparing the planned vote function outputs against the actuals and determining the variances
- Reviewing utilisation of these funds

Based on the procedures performed, I observed that Vegetable Oil Development Project Phase 2 (VODP2) is in its final year of implementation. The project is mandated to increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers. VODP is also mandated to supply affordable vegetable oil products to Ugandan consumers and neighbouring regional markets.

In order to achieve this objective, VODP2 planned to implement and achieve a number of both recurrent and development deliverables under various project components. VODP2 had an approved budget of UGX.62,725,531,323, out of which UGX.54,137,776,019 was received. The key deliverables for the financial year 2018/19 are indicated in the table below:

Table: Showing key deliverables for the Project for the year

Sn	Key deliverables	Amount (UGX)	Percentage of approved budget
i.	Establishment of Buvuma oil palm	28,242,114,008	45.0
ii.	Kalangala oil palm	17,311,537,602	27.6
iii.	Oil palm Research	1,018,000,000	1.6
iv.	Extension services to farmer groups	6,662,400,000	10.6
v.	Seed production/Research	1,225,000,000	2.0
vi.	Value chain	1,624,850,000	2.6
vii.	Project management	3,721,818,200	5.9

The project planned to achieve the above deliverables through the implementation of 154 outputs/activities. I sampled 49 out-puts/activities worth UGX.59,805,719,810 representing 95.3% of the total budget for review and below are the findings.

	Observation	Recommendation												
1.1	<p><u>Under absorption of funds</u></p> <p>I observed that:</p> <ul style="list-style-type: none">• <u>Budget short fall</u> <p>The project budgeted to receive UGX.62,725,531,323 however UGX.54,137,776,019 was received resulting into a budget shortfall of UGX.8,587,755,304 representing 13.7%.</p> <ul style="list-style-type: none">• <u>Low absorption capacity:</u> <p>Out of the available funds totalling to UGX.54,137,776,019, UGX.52,033,377,242 was spent by the project resulting into unspent balance of UGX.2,104,398,778 representing an absorption level of 96%. The unspent balances at the end of the financial year remained on the various project accounts. Refer to tables below:</p> <p>Year: 2018-2019</p> <table><tr><th>APP EST (A) (billions)</th><th>RELEASE (B) (billions)</th><th>Variance C= (A-B) (billions)</th><th>Expenditure (D) (billions)</th><th>Unspent (B-D) (billions)</th></tr><tr><td>62.725</td><td>54.137</td><td>8.588</td><td>52.033</td><td>2.104</td></tr></table> <p>Budget shortfalls and failure to spend funds exposes Government to nugatory expenditure due to penalties levied by the bank on the un-withdrawn financing balances. It also resulted into partial or non-implementation of planned activities.</p> <p>The Accounting Officer explained that the release of funds from IFAD depends on the utilization and subsequent replenishment of the already released funds and since all the released funds had not been utilized at the close of the financial year, the project could not submit more withdrawal applications for replenishment.</p>	APP EST (A) (billions)	RELEASE (B) (billions)	Variance C= (A-B) (billions)	Expenditure (D) (billions)	Unspent (B-D) (billions)	62.725	54.137	8.588	52.033	2.104	<p>I advised the Accounting Officer to ensure adequate planning, prioritization and implementation of planned activities so as to absorb funds timely.</p>		
APP EST (A) (billions)	RELEASE (B) (billions)	Variance C= (A-B) (billions)	Expenditure (D) (billions)	Unspent (B-D) (billions)										
62.725	54.137	8.588	52.033	2.104										
1.2	<p><u>Quantification of outputs/activities</u></p> <p>Out of the 154 outputs/activities with a total budget of UGX.62,725,531,323 implemented by the Project during the financial year, I sampled and reviewed 49 outputs/activities with a budget of UGX.59,805,719,810 representing 94.2% of the total budget as indicated below.</p> <p>Table showing outputs/activities planned</p> <table><tr><th>Details</th><th>Number</th><th>Budget</th></tr><tr><td>Total Outputs/activities</td><td>154</td><td>62,725,531,323</td></tr><tr><td>Outputs/activities sampled</td><td>50</td><td>59,805,719,810</td></tr><tr><td>Percentage</td><td>32.5%</td><td>95.3%</td></tr></table>	Details	Number	Budget	Total Outputs/activities	154	62,725,531,323	Outputs/activities sampled	50	59,805,719,810	Percentage	32.5%	95.3%	
Details	Number	Budget												
Total Outputs/activities	154	62,725,531,323												
Outputs/activities sampled	50	59,805,719,810												
Percentage	32.5%	95.3%												

	<p>Out of 49 outputs/activities assessed, all outputs/activities representing 100% of the total outputs/activities were quantified to enable measurement of performance.</p> <p>Quantification of activities implemented enabled audit to establish individual activity costs for each planned output and ascertain whether funds appropriated by Parliament and released were actually spent and the intended objectives achieved.</p>																										
1.3	<p>Implementation of the quantified planned outputs</p> <p>An analysis of the quantified outputs/activities revealed that although the project absorbed 96% of the funds that were released, some of the activities remained either partially or not implemented at all.</p> <p>Out of the 49 quantified outputs/activities assessed, 32 outputs/activities representing 65% were fully implemented, 13 outputs/activities representing 27% were partially implemented while 4 outputs/activities representing 8% were not implemented at all. Details attached in Appendix I. Results from of the entity performance are summarized as below.</p> <p>Table showing the level of implementation</p> <table><tr><th>S/n</th><th>Description</th><th>Reporting</th><th>Outputs</th><th>Perform ance in %</th></tr><tr><td>1</td><td>ALL the planned out-puts have been achieved or realized (100%).</td><td>Fully Implemented</td><td>32</td><td>65</td></tr><tr><td>2</td><td>A portion or some of the planned outputs have been achieved or realised (less than 100%).</td><td>Partially Implemented</td><td>13</td><td>27</td></tr><tr><td>3</td><td>The entity did not realise or achieve ANY of the planned outputs (0%).</td><td>Not Implemented</td><td>4</td><td>8</td></tr><tr><td></td><td></td><td>Total outputs</td><td>49</td><td>100</td></tr></table> <p>The failure to achieve planned outputs was attributed to budget cuts by the Ministry of Finance Planning and Economic Development, delays by the contractors and delayed procurement process.</p> <p>Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. For example, the entity did not implement the following activities despite receiving 87% of the total Budget.</p> <ul style="list-style-type: none">• Procurement of 30,000 seedlings• Conduct of the PIALA impact analysis Kalangala• Compilation of Completion report• Undertaking Oilseeds and oil palm research survey <p>The Accounting Officer explained that implementation was affected by a number of factors ranging from heavy rains, to long procurement processes, busy schedules of implementing partners, change in scope of some of the activities and difficulty in transportation of building materials to the islands where there are no ferry services.</p>	S/n	Description	Reporting	Outputs	Perform ance in %	1	ALL the planned out-puts have been achieved or realized (100%).	Fully Implemented	32	65	2	A portion or some of the planned outputs have been achieved or realised (less than 100%).	Partially Implemented	13	27	3	The entity did not realise or achieve ANY of the planned outputs (0%).	Not Implemented	4	8			Total outputs	49	100	<p>I advised the Accounting Officer to ensure adequate planning, prioritization and implementation of planned activities.</p>
S/n	Description	Reporting	Outputs	Perform ance in %																							
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3	The entity did not realise or achieve ANY of the planned outputs (0%).	Not Implemented	4	8																							
		Total outputs	49	100																							

Other Matters

In addition to the matters raised above, I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements.

2.0 Land acquisition

The project is in its final year of implementation. An evaluation of the project in regard to land acquisition was undertaken to assess the projects overall achievements in line with the set objectives.

According to the agreement signed between GOU and BIDCO Oil Refineries Ltd in 1998 (amended 2003) , Government was to provide land required for the project in a specified timeline as indicated in the table below;

The original plan was to acquire a total of 40,000 hectares which was revised to 45,200 hectares.

A review of the status of acquisition of land by Government revealed that there is slow progress regarding the acquisition of land as explained below;

- Out of the planned 26,500 hectares for the nucleus estate; 12,000 hectares of plantable land were acquired and 2,594 hectares of buffer zone and other infrastructure was also acquired. This implies 55% achievement.
- Out of the planned 18,700 hectares for the small holders, only 8,166 plantable hectares were acquired implying 44% achievement.

Table showing Progress of land acquisition

PHASE	AREA	TARGET		TOTAL TARGET	PROGRESS		STATUS REMARKS
		NUCLEU S	SMALL HOLDER		NUCLEUS	SMALL HOLDER	
Phase One- Kalangala	Kalangala hub	6,500	4,700	11,200	6,500	4,848	A total of 7,700 ha was acquired out of which 6,500 ha planted for the nucleus estate, the rest for the buffer zone and other infrastructure
Phase 2- Mainland and other areas	Buvuma hub	6,500	2,500	7,500	5,500	1,295	A total of 7894 ha was acquired of which 5,500 was confirmed to be plantable and the rest discounted for the buffer zone
	Kyotera/Rakai (Sango bay) hub	10,000	4,500	14,500	-	-	The land has been surveyed, mapped and confirmed suitable for oil palm growing, awaiting Government to hand it over to BIDCO
	Mayuge/Bugiri hub	-	3,500	3,500	-	2,023	The plan is to develop a pure smallholder model. Bidco will provide a mill for processing of fresh fruit bunches. Identification of farmers is ongoing and so far 6221 farmers have been registered to participate.
	Buikwe/Mukono	-	3,500	3,500			

	hub						
	Plan to achieve the balance through small holder development given the challenges associated with acquiring big chunks of land for the nucleus estate.	3500					
	GRAND TOTAL	26,500	18,700	45,200	12,000	8,166	

Slow progress is likely to affect the ultimate objective of increasing domestic production of vegetable oil and its by-products.

I advised the Accounting Officer to liaise with the responsible shareholders and ensure that the agreement signed is achieved to avoid embarrassment.

3.0 Offer of Land without a lease

In line with Article 4.1(a) of the Agreement 1998 (amended 2003), require that land procured should be handed over to the developer (BIDCO Uganda Limited) with a lease.

It has been observed that out of the 12,000 hectares of the procured land on the main land and other areas, Government offered BIDCO Uganda Limited 5,962.91 hectares of land in Buvuma for development. However, contrary to the agreement, the land was offered to BIDCO without issuance of the lease by Government.

Offer of land to BIDCO without a lease agreement exposes the investor to uncertainty of ownership of land which may limit the investment plans. Unsecured land is risky in that there is possibility of loss of the land to land grabbers.

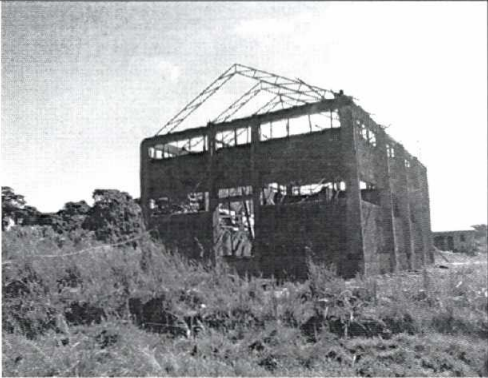


The Accounting Officer explained that MAAIF submitted titles to Uganda Land Commission for issuance of a lease on 22nd March, 2019 and the lease process is on-going.

I advised the Accounting Officer to liaise with Uganda Land Commission to ensure the lease process is fast tracked and titles issued to the developer.

4.0 Delayed Civil works

VODP2 undertook several construction works during the year but sample sites were inspected after end of financial year to confirm extent of the works done, quality and status.

It was observed that projects worth UGX.1,281,971,423 undertaken during the financial year were not handed over for use because they were incomplete due to delayed construction timelines beyond six months. The detailed findings and photos are in the table below:

Areas inspected	Contract details	Contract Price UGX.	Pictures	Observations	Management Response
Kalangala	Construction of fertilizer store in Bubembe Ref: MAAIF-VODP2/WRKS/17-18/00007 Contractor: Giant Plum Enterprises (U) Limited Expected end date: 20/12/2018	472,269,000		Incomplete; pending Roofing, plastering, ventilators, doors & Windows, painting and various finishes. -Delayed works	<i>The period of construction has been characterised by heavy rains which delayed construction works. In addition, due to lack of ferry services to the island, materials for construction had to be carried to the site using small boats, which also delayed the construction process. Currently, construction stands at 75% completion. Roofing has been done, plastering partly done, pending fixing of windows, doors and painting. Completion of works is expected by end of December 2019.</i>
Buvuma	Construction of VODP2 Office Block in Buvuma district Ref: MAAIF-VODP2/WRKS/17-18/00008 Contractor: WAO (U) Limited End date: 31/12/2018	345,280,042		Incomplete at plastering level -Pending plastering some parts, no windows, no doors and other internal finishes, no paint. -Delayed	<i>Heavy rains witnessed during the period of construction coupled with frequent break down of the ferry led to the delay in completion of works. Works stand at 85% completion. Roofing and plastering has been done pending fixing windows and doors plus painting. Completion of works is expected by end of December 2019</i>
Kalangala	Construction of fertilizer store in Bunyama Ref: MAAIF-VODP2/WRKS/17-18/00004 Contractor: Rocktrust Contractor (U) Ltd End date: 20/12/2018	464,422,381		-Incomplete, pending plastering some parts, glass fitting and internal & external painting. -Delayed	<i>Heavy rains that were witnessed in the outlying islands led to delays in the construction works. Like in Bubembe, due to lack of ferry services to Bunyama Island, construction materials had to be ferried using small boats which also contributed to the delays. Roofing, plastering, fixing of windows and doors is done. Completion works stands at 90% and expected to be at 100% by end of December 2019.</i>
		1,281,971,423			

Incomplete works hamper service delivery as planned outputs from the project investments may not be realised within the planned period.

I advised the Accounting Officer to prioritise completion of the projects in the limited completion period to ensure appropriate delivery of services.

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 Responsibilities 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 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 Projects ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, 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 ISSAIs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISSAIs, I exercise professional judgement and maintain professional scepticism 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 my 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 Projects's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project to cease to continue as a going concern.
- 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 the Accounting Officer 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 the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them 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 Accounting Officer, 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 Section 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 compliance with legislation section below, and whose effect has been considered in forming my opinion on 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 audit of Compliance with Legislation

There were no material findings in respect of compliance with legislation.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

5th December, 2019

**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 2019**

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 2019.

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
5th December, 2019

**REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNTS OPERATIONS OF
THE VEGETABLE OIL DEVELOPMENT PROJECT (VODP), PHASE II,
IFAD LOAN NO.806-UG
FOR THE YEAR ENDED 30TH JUNE, 2019**

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, 2019 which is set out on page 25.

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, 2019 present fairly in all material respects the accounts transactions and the closing balances as at 30th June, 2019.

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
5th December, 2019

**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 2019**

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 2019. 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
5th December, 2019

APPENDICES

APPENDIX I-BUDGET PERFORMANCE

NO	Output	Annual planned Activity	Target	Budget Amount-UGX.	Amount paid UGX.	Achieved Target by Financial year end	Variance	Causes for the variances	Audit conclusion Fully, partially, or Not implemented	Management Comments
Buv01	Civil works	Constructio n of office block	1	210,000,000	111,918,150	At plastering level	Internal and external finishes pending	- Difficulty in transporting materials from the mainland to Buvuma because of the frequent break down of the ferry to Buvuma. - Heavy rains that slowed down progress of works	Partially implemented	The work has progressed and currently is at 85% completion. (see photos attached).
Buv02		Landing sites	2	2,401,144,008	2,401,144,068	Designs being done	Designs still ongoing	The plan for the year was to pay advance only. Construction works will be done under NOPP	Fully implemented	This is 100% implemented. The plan for the year was to pay advance against a bank guarantee which was done. Designs have been done and submitted for approval.
Buv03	Establishment of BOPGT	Exchange visits to Bugala	2	200,000,000	33,441,000	1 visit done	1 visit pending	Delay in implementation	Partially implemented	Due to the heavy schedules of the stakeholders, some of these visits could not be done and are being rolled over to the current financial year.
Buv05	Smallholder plantation establishment	Land acquisition	1000 HA	21,500,000,000	13,943,350,547	264.68 hectares	735.32 pending	Complex and lengthy acquisition process that involves verification of titles, survey, valuation,	Partially implemented	The compensation process for both tenants and landlords is still on going. A total of 697 ha has been acquired.

								sensitization of the communities before compensation can be done.		
Buv08		Sensitization of Buvuma farmers	4 quarters	100,000,000	110,267,400	Sensitization of Buvuma farmers in all quarters	Nil	n/a	Fully implemented	
Buv10	Vehicle	Ferry	1	3,830,970,000	3,830,970,000	Design of the ferry is ongoing	Nil	The plan for the year was to pay advance only. Construction works will be done under NOPP	Fully implemented	The plan for the year was to pay advance. Designs have been completed and Construction works are under way. Fully implemented
KAL01	Environmental management	Environmental campaigns & activities	1 quarters	220,000,000	220,000,000	Environmental campaigns & activities	Nil	N/a	Fully implemented	Done by KOPGT and Kalangala district on behalf of VODP2.
KAL03	Smallholder Plantation Establishment	Landing sites	1 sites	1,317,866,949	1,317,866,949	design of the landing sites is ongoing	Nil	The plan for the year was to pay advance only. Construction works will be done under NOPP	Fully implemented	
KAL04		seedlings	30,000 seedlings	570,000,000	0	None	30,000 seedlings	<i>This activity was moved to NOPP</i>	Not implemented	The seedlings will be paid under NOPP. We couldn't pay for them since the oil palm component of VODP2 ended in December 2018.
KAL05		Smallholder farm roads construction-Buyama & bubembe	65kms	520,000,000	364,378,700	101kms opened	Nil		Fully implemented	

KAL06		Smallholder farm roads construction-Repair and service of roads Equipment	1 unit	570,000,000	482,500,000	Repair and service of roads Equipment done	Nil	n/a	Fully implemented	
KAL07		Smallholder farm roads construction-Transportation	2 units	608,000,000	590,617,167	2 units transported	nil	n/a	Fully implemented	
KAL08		Smallholder farm roads construction-Hire of extra road Equip	15 pieces Lumpsum	1,485,125,000	1,458,231,565	Hired of extra road Equip (15pieces)	Nil	n/a	Fully implemented	
KAL10	Smallholder plantation maintenance	Carbon study	1 studies	136,800,000	96,138,010	1 studies on going		on going	Fully implemented	Fully implemented; the study was done and the report is available.
KAL11		Fertilizers	4,235 Tones	7,212,319,901	6,896,142,860	4000 tones purchased	235 tones not purchased		Partially implemented	The supplier could only supply 4000 tones by December 2018. The supply of fertilizer is driven by the demand from the farmers.
KAL12		Small holder Maintenance - labour	839 Ha	310,975,350	189,337,500	520Ha maintained	327 ha maintained		Partially implemented	There was a delay in planting because the seedlings were still young. Planting was done in April 2019. Maintenance of the 327 ha has been rolled over to the current financial year.

KAL13		Smallholder Access roads construction - Bugala	40 kms	320,000,000	587,896,186	167 km constructed	More by 127km	Change of scope of work done	Fully implemented	
KAL16		Treated tsetse traps	30,000 traps	1,246,000,000	900,000,000			Fully implemented	Fully implemented	The 30,000 traps were fully delivered and paid for. Fully implemented. The traps were bought at a cheaper price than anticipated.
KPT16	Building	Construction of 2 fertilizer stores on the outlying islands	2 stores	581,281,440	379,380,575	2 stores incomplete	2 stores incomplete	- Difficulty in transporting materials to the Islands. - Heavy rains that slowed down progress of works. There is also lack of ferry services between Bugala and the outlying islands of Bunyama and Bubembe.	Partially implemented	Implementation stands at 90% progress for Bunyama and 75% for Bubembe; the balance of the payment will be under NOPP
KPT17		Office expansion	1 block	186,002,400	141,069,150	Office expansion complete	Nil	The works are now complete.	Fully implemented	
KPT18-21	KOPGT staff salaries	Salaries, gratuity, medical insurance and NSSF contributions.	12 months	637,596,560	578,772,034	Salaries, gratuity, medical insurance and NSSF contributions	Nil	n/a	Fully implemented	
KPT36	Social economic support	UCA consultancy on strengthening –oil palm	2 quarters	327,242,002	327,242,002	UCA consultancy on strengthening complete	Nil	N/a	Fully implemented	

KPT38	Vehicles	Motorboats	1	364,800,000	109,105,494	1 Motorboats delivered	Partially paid		Fully implemented	The boat was received and the balance paid in July 2019 Fully implemented.
KPT39		Tractors	4	697,528,000	677,389,632	4 Tractors purchased	Nil	N/a	Fully implemented	
OPR01	Support to NACCRI	Oil palm Researchers	4 quarters	168,000,000	134,267,523	Oil palm Researchers on going	Oil palm Researchers on going	Research takes process	Partially implemented	This was meant to support salary for 3 oil palm researchers. However, two of them reported four months after the financial year started hence the surplus on salary
OPR02		Oilpalm research activities	4 quarters	400,000,000	461,761,697	Oil palm Researchers done	nil	n/a	Fully implemented	Fully implemented
OPR03		Training and international exposure- Researchers	5 trainings	450,000,000	113,915,875	2 trainings	3 trainings	Inadequate funding	Partially implemented	According to our records, UGX 250m was planned to be spent on training of researchers. Due to the busy schedules of the researchers, not all the planned trainings could be implemented. The trainings not carried out have been rolled over to the current financial year.
EXT	Extension for farmer Groups-Hub activities	Local learning routes for farmers	12 visits	320,000,000	264,165,000	8 Visits	4 Visits	Team was involved in other activities including the design of the National Oil Seeds Project	Partially implemented	From our records, the project spent UGX 264,165,000 on eight exchange visits. Some of the learning routes were not implemented because the team was involved in other activities including the

										design of the National Oil Seeds Project.
EXT29	PFS Extension	PFS Extension-Arua Hub	576 groups	691,200,000	700,390,775	576 groups	Nil	N/a	Fully implemented	
EXT30		PFS Extension-Gulu Hub	601 groups	721,200,000	664,505,027	601 groups	Nil	N/a	Fully implemented	
EXT31		PFS Extension-Lira Hub	896 groups	1,075,200,000	969,459,100	896 groups	Nil	N/a	Fully implemented	
EXT32		PFS Extension-Mbale Hub	1,434 Groups	1,720,800,000	1,156,104,229	1,434 Groups	Nil	N/a	Fully implemented	
EXT33		Pre-season hub review meeting	12 meetings	280,000,000	371,275,170	12 meetings	Nil	N/a	Fully implemented	
EXT35		DLG in implementation of oilseeds	825 Groups	825,000,000	1,093,763,321	825 Groups	Nil	N/a	Fully implemented	
EXT36	Vehicles	Bicycles for community based facilitators	540 pcs	333,000,000	77,728,000	125pcs paid for	415 pcs	Slow implementation	Partially implemented	The procurement of the 125 bicycles relates to FY 2017/18. Payment for this procurement was done in the FY 2018/19 because of delayed delivery. The procurement of the 415 bicycles relates to the FY 2018/19. Contracts for this procurement have been signed and the project expects delivery before 31 st Dec 2019.
EXT37	Workshops , Technical support & Studies	Annual review meetings	1 meetings	240,000,000	371,275,170	1 meetings	Nil	n/a	Fully implemented	

EXT38		Oilseeds outcome survey	1 study	190,000,000	190,000,000	1 Oilseeds outcome survey complete.	none	n/a	Fully implemented	The Oilseeds outcome survey was completed and the report submitted. The project used the MAAIF statistics division to carry out the survey. Fully implemented
EXT39		Oilseeds and oil palm research outcome survey	1 study	266,000,000	-	None	1 study		Not implemented	The study has been rolled over and it will be done together with the project completion report after 31 st December, 2018 (project completion).
SDP01	Equipment	Cold Rooms	1 unit	150,000,000	131,216,850	1 unit purchased	Nil	N/a	Fully implemented	
SDP04		Local Seed cleaners for LSB groups	25 cleaners	600,000,000	600,000,000	25 cleaners purchased	Nil	N/a	Fully implemented	All the 25 cleaners have been delivered and paid for. Fully implemented.
SDP13		Seed production - soybean foundation	80 tonnes	475,000,000	302,081,955	60 tonnes produced	20 Tonnes not produced	Production ongoing	Partially implemented	The production was affected by heavy rains.
VAL01	Farmer institutional development	Farmer institutional strengthening -UCA	18 quarters	540,000,000	169,004,798	Farmer institutional strengthening -UCA on going	On going		Partially implemented	By the time of the audit, farmer institutional strengthening activities were still ongoing. The current position is that the project has paid 90% of the work done by UCA.
VAL02		Financial inst & Insurance Co linkages	50 groups	250,000,000	250,000,000	50 groups	None	n/a	Fully implemented	This was fully implemented but the information was readily availed to the auditors. However, it is now available for verification. In terms of linkages to financial and insurance

										institutions, the project linked a total of 51 farmer groups to financial institutions and these accessed credit amounting to UGX 437,250,000. 61 groups were linked to insurance institutions and all these paid premiums. These groups were supported in VSLA activities including capacity training and governance.
VAL03	PFS Extension	Apiary	10 districts	350,000,000	349,774,460	Apiary in 10 districts done	Nil	n/a	Fully implemented	
VAL07	Support to UNBS	Laboratory testing (Sunflower, Simsim, Gnats, Finished pdts and cake)	600 test	484,850,000	311,680,000	380 Tests	220 test	The samples are picked bi annually depending on how active the mills are. The rest of the testing activities are ongoing	partially implemented	This activity was partially implemented (64.3%). The samples are picked bi annually depending on how active the mills are. The rest of the testing activities are ongoing currently. A total of UGX 311,680,000 was released to UNBS during the financial year.
PMU01	Consultancy	Completion report	1 study	522,500,000	0	none	1 study not done	Currently in progress since VODP2 ends Dec 2019	Not implemented	This study has been rolled over to after 31 st December, 2019. The project got an extension by one year.
PMU03		PIALA impact analysis Kalangala	1 study	646,000,000	0	None	1 study not done	Inadequate funds	Not implemented	The PIALA impact analysis was planned by the project but not implemented because another study (LEWIE) funded directly by IFAD was undertaken with the

										same focus and similar objectives. This rendered PIALA unnecessary at the time.
PMU21	PMU staff salaries	PMU salaries	12 months	2,273,318,200	2,196,652,714	PMU salaries	Nil	N/a	Fully implemented	
PMU27	Vehicles	4WD Double cabin pick ups	2 Vehicles.	280,000,000	279,451,920	2 Vehicles purchased	Nil	N/a	Fully implemented	
				59,805,719,810						

**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 2019**

**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: +256-414-230690
KAMPALA
UGANDA.**

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

Table of Contents

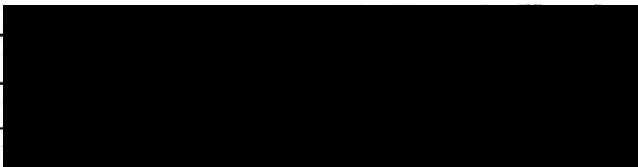
- I. Project Background and Description
 - II. Statement of Accounting Officer and Project Management Responsibilities
 - III. Report of the Independent Auditor
 - IV. Financial Statements
 - V. Notes to the accounts
-

PROJECT BACKGROUND AND DESCRIPTION

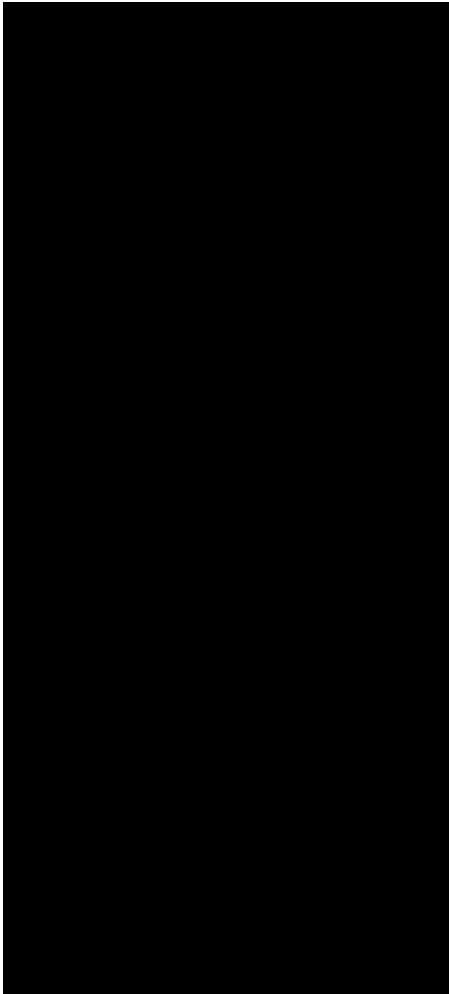
SUMMARY OF PROJECT INFORMATION

PROJECT TITLE:	Vegetable Oil Development Project Phase2																	
LOCATION:	<p>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;</p> <p><u>Lira Hub</u>; Covering the districts of Lira, Apac, Dokolo, Oyam, Masindi, Soroti, Kaberamaido, Amuria, Serere, Amolatar, Kiyandongo, Alebtong and Kole.</p> <p><u>Eastern Uganda hub</u>; Covering the districts of Mbale, Bukedea, Kapchorwa, Kamuli, Kumi, Manafwa, Pallisa, Sironko, Bugiri, Bududa, Busia, Tororo, Iganga, Jinja, Namutumba, Kaliro, Bulambuli, Kween and Mayuge.</p> <p><u>Gulu hub</u>; Covering the districts of Gulu, Kitgum, Amuru, Pader, Nwoya, Agago and Lamwo.</p> <p><u>West Nile hub</u>; Covering the districts of Arua, Koboko, Moyo, Nebbi, Yumbe, Maracha and Zombo.</p>																	
EXECUTING AGENCY:	Ministry of Agriculture Animal Industry & Fisheries P.O Box 102 Entebbe.																	
FINANCING:	<table><tr><td>IFAD loan</td><td>USD 52.00 Million</td></tr><tr><td>GOU</td><td>USD 15.00 Million</td></tr><tr><td>Farmers</td><td>USD 3.90 Million</td></tr><tr><td>KOPGT</td><td>USD 4.44 Million</td></tr><tr><td>OPUL</td><td>USD 70.38 Million</td></tr><tr><td>IFAD grant to SNV</td><td>USD 1.00 Million</td></tr><tr><td>SNV co- financing</td><td>USD 0.34 Million</td></tr><tr><td>TOTAL COST:</td><td>USD 147.06 Million</td></tr></table>		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
IFAD loan	USD 52.00 Million																	
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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 Account Numbers	

MEMBERS OF THE PROJECT MANAGEMENT UNIT

	NAME	TITLE
1	Connie Magomu Masaba	Project Manager
2		Financial Controller
3		Oil Palm Coordinator
4		Monitoring and Evaluation Officer
5		Project Engineer
6		Procurement Officer
7		Credit and Finance Officer
8		Accountant
9		Hub Coordinator- Arua
10		Hub Coordinator – Gulu
11		Hub Coordinator- Lira
12		Hub Coordinator- Mbale
13		Office Administrator
14		Procurement Assistant
15		Driver
16		Driver
17		Driver
18		Driver
19		Driver
20		Office Attendant
21		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 ALLOCATION (SDR)	MTR ALLOCATION (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
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	Achieved: June 2019
Oil Palm – Kalangala District	Nucleus estate established in Kalangala (Hectares)	6,500 Ha	OPUL has established a 6,500 hectare oil palm nucleus estate in Kalangala (100% achieved)
	Smallholder estate established in Kalangala (Hectares)	4,700 Hectares (1,800 farmers with 30% female)	The 100,000 oil palm seedlings raised in Kalangala matured and were distributed to the smallholder farmers who planted the remaining 276 hectares of oil palm to achieve the project smallholder planting target of 4,700 hectares in Kalangala. The project has now achieved the VODP 2 oil palm planting target of 11,200 hectares in Kalangala (6,500 hectares under the nucleus estate and 4,700 hectares under the smallholder farmers).
	Smallholders registered to benefit from oil palm investment	1,900 (36% female)	A total of 1,959 smallholder farmers (37% female) have participated in the smallholder scheme in Kalangala. KOPGT provided UGX 126 million in establishment and maintenance loans to the smallholder farmers in Kalangala. The project has now disbursed UGX 46 billion in garden establishment and maintenance loans to the smallholder farmers in Kalangala. All the smallholder oil palm farmers received training from KOPGT and OPUL in Kalangala.
	Smallholders net incomes	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	Between July 2018 and June 2019, farmers produced 46, 549 MT valued at a gross of UGX 20.64 billion.
	Farm roads constructed (Bugala)	330 kms	354km of farm and access road was constructed in Kalangala in 2018.

	Landing sites constructed	2	Signed contracts for 2 landing sites for the designing and building in Bugala and Bunyama
	Crude palm oil produced (annually in MT)	35,000	61,817 MT of crude palm oil was produced between January 2018 and July 2019. (100% achieved)
	Fertilizer store on Bugala Island	1	The fertilizer store in Bunyama is at 60% level of completion. The fertilizer store in Bubembe is at 32% level of completion. (100% achieved)
Oil palm – Buvuma District	Land procured for nucleus estate	6,500 Ha	7,591 Hectares of land acquired. The area free of encumbrances and ready for the nucleus estate development is now 5,014 hectares. These hectares have been confirmed as suitable land for planting having been discounted off the implantable, buffer zone and HCV areas.
	Landing sites constructed	1	Signed contracts for landing site for the designing and building in Buvuma
	Nucleus estate established	1,000 Ha	264.68 hectares was newly acquired land in the financial year 2018/19. The project also compensated tenants on 682.604 hectares
	Office block	1	Construction of Office at Buvuma is at wall plate level which is equivalent to 35% progress.
Oil Seeds	Mill capacity utilization	85%	These farmer groups are supplying crushing material to processing factories whose crushing capacity has increased to 65%.
	Sunflower yield per hectare	1.7 tons	1.9 tons (Target achieved and surpassed)
	Soy bean yield per hectare	1.1 tons	1.8 tons (Target achieved and surpassed)
	5,900 groups receive extension services	6,500 farmer groups	The project provided extension and marketing services to 5,311 farmer groups growing sunflower and soybeans with support from 11 contracted PSPs that provide extension and value chain support

			services. (3,507 farmer group by the private service providers and 1,804 supported by the District Local Government).
	Produce of oil seeds bulked (tons per year)	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 3.19 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 2019**

STATEMENT OF RESPONSIBILITIES OF THE ACCOUNTING OFFICER

The financial statements set out on pages 18 to 28 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 Wakao 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 2019

**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 53,157,375,811 for the year, from IFAD, GOU and farmers' contribution. UGX 44,569,620,508 was released, which increased the available funds to UGX 54,137,776,019 when added to the opening balance. The releases and opening balance when compared with the budget, represent a performance of 86%. IFAD released UGX 29,748,849,064.51 against a budgeted release of UGX 38,061,628,345 representing performance of 78.16%; GOU released UGX 14,542,032,712 against a budgeted release of UGX 14,592,032,712 representing a performance of 99.66%; and farmers contributed UGX 434,005,071 for transportation of their fresh fruit bunches and purchase of two boats against a budget of UGX 503,714,754 representing a performance of 86.16%. The project suffered an exchange loss of UGX 155,270,859 and received bank interest of UGX 4,523.

The project budgeted to spend UGX 61,619,947,731 on project activities. A total of UGX 52,033,735,979 was spent on project activities amounting to 84.44% budget performance. Of the budgeted IFAD loan of UGX 46,432,915,019, UGX 37,321,897,515 was spent, leading to a budget performance of 80.38%. Government counterpart funding of UGX 14,587,032,712 was budgeted and the actual expenditure of UGX 14,181,548,147 was achieved leading to a 97.22% budget performance. A total of UGX 600,000,000 was budgeted as farmers' contribution and UGX 530,290,317 was spent leading to 88.38% 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 2019
THE PROJECT FINANCIAL STATEMENTS

Statement of Cash Receipts and Payments by Category.....	18
Statement of Cash Receipts and Payments by Component.....	19
Statement of Comparative Budget and Actual Amount.....	20
Cash flow Statement.....	21
Trail Balance.....	22
Statement of Special Account Movement.....	23-24
Statement of Special Account Reconciliation.....	25-26
Statement of IFAD Withdrawal Applications submitted during the year.....	27
Status of the IFAD Loan Balances as at 30 th June 2019.....	28
Notes to the Financial Statements.....	29-40

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2				
IFAD LOAN NO. 806-UG				
STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)				
FOR THE FY 2018/19				
	Notes	2018/19 UGX	2017/18 UGX	Cumm to date UGX
Balance B/F	6	9,568,155,511.64	7,623,102,632.79	
FINANCING				
IFAD Funds				
Initial Deposit	8		7,260,240,000	17,731,325,000
Replenishments to SA	8	20,487,391,660	14,569,944,954	86,816,280,648
IFAD Direct Payments	7	9,261,457,404	496,246,800	33,677,901,636
Government Funds	5	14,542,032,712	9,592,033,262	87,573,143,656
Other Donors (Farmers' contribution)		434,005,071	1,056,468,426	4,382,998,886
Other Receipts (Ex rate gain)	1(d)	(155,270,859)	91,814,056	501,740,470
Other Receipts (Bank interest)		4,523	305,485	5,486,719
TOTAL FINANCING		54,137,776,023	40,690,155,616	230,688,877,015
PROJECT EXPENDITURES:				
IFAD LOAN				
Vehicle & Equipment		5,124,654,494	551,074,020	9,454,667,705
Materials		319,658,700	586,325,000	3,479,697,358
Pontoon Landing sites		3,739,616,068		3,739,616,068
Other Civil Works		4,329,713,143	737,858,327	7,171,816,764
Smallholder Oil Palm Development		7,160,546,440	366,190,400	42,814,937,666
Oilseed Guarantee				0
Consultancies, Workshops and training		5,403,414,134	3,748,116,629	16,802,585,774
Extension services		6,780,487,646	7,466,549,476	27,605,981,960
Salaries and allowances		2,775,424,748	3,269,247,741	16,602,755,657
Operating Costs		1,688,382,142	2,082,709,289	10,501,275,879
Subtotal		37,321,897,515	18,808,070,882	138,173,334,831
GOVERNMENT FUNDS				
Vehicle & Equipment		0	0	150,035,668
Materials				261,960,000
Pontoon Landing sites				0
Other Civil Works				45,000,000
Smallholder Oil Palm Development		14,031,548,147	11,087,268,329	82,505,718,305
Oilseed Guarantee				0
Consultancies, Workshops and training				46,065,740
Extension services				571,768,760
Salaries and Allowances		150,000,000	196,948,006	1,436,494,979
Operating Costs		0	0	1,084,680,990
Subtotal		14,181,548,147	11,284,216,335	86,101,724,442
FARMERS' FUNDS				
Smallholder Oil Palm Development		530,290,317	1,029,712,888	4,309,777,698
Salaries and allowances				
Operating Costs				
Subtotal		530,290,317	1,029,712,888	4,309,777,698
TOTAL PROJECT EXPENDITURES		52,033,735,979	31,122,000,105	228,584,836,971
BALANCE C/F		2,104,040,044	9,568,155,512	2,104,040,044
REPRESENTED BY				
Farmers Loan Designated Account	6	148	499,908,776	148
VODP Operations Account	6	406,998,394	173,303,985	406,998,394
VODP Designated Account	6	84,646,035	6,201,618,086	84,646,035
Sub Accounts	6	1,612,395,468	2,693,324,665	1,612,395,468
TOTAL BALANCE		2,104,040,044	9,568,155,512	2,104,040,044

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 2019				
	Notes	2018/19 UGX	2017/18 UGX	Cumm to date UGX
Balance B/F	6	9,568,155,512	7,623,102,633	-
FINANCING		-	-	-
IFAD Funds		-	-	-
Initial Deposit	8	-	7,260,240,000	17,731,325,000
Replenishments to SA	8	20,487,391,660	14,569,944,954	86,816,280,648
IFAD Direct Payments	7	9,261,457,404	496,246,800	33,677,901,636
Government Funds	5	14,542,032,712	9,592,033,262	87,573,143,656
Other Donors (Farmers' contribution)		434,005,071	1,056,468,426	4,382,998,886
Other Receipts (Ex rate gain)	1(d)	155,270,859	91,814,056	501,740,470
Other Receipts (Bank interest)		4,523	305,485	5,486,719
TOTAL FINANCING		54,137,776,023	40,690,155,616	230,688,877,015
PROJECT EXPENDITURES:		-	-	-
IFAD LOAN				
Oil Palm Development		23,476,114,175	3,932,449,476	75,690,600,834
Oil Seed Development		8,861,862,782	10,029,028,950	37,431,716,708
Project Management		4,983,920,558	4,846,592,456	25,051,017,289
		37,321,897,515	18,808,070,882	138,173,334,831
GOVERNMENT FUNDS				
Oil Palm Development		14,031,548,147	11,087,268,329	80,925,265,056
Oil Seed Development				347,497,102
Project Management		150,000,000	196,948,006	4,828,962,284
		14,181,548,147	11,284,216,335	86,101,724,442
FARMERS' FUNDS				
Oil Palm Development		530,290,317	1,029,712,888	4,309,777,698
Oil Seed Development				
Project Management				
		530,290,317	1,029,712,888	4,309,777,698
TOTAL PROJECT EXPENDITURES		52,033,735,979	31,122,000,105	228,584,836,971
BALANCE C/F		2,104,040,044	9,568,155,512	2,104,040,044
REPRESENTED BY				
Farmers Loan Designated Account	6	148	499,908,776	148
VODP Operations Account	6	406,998,394	173,303,985	406,998,394
VODP Designated Account	6	84,646,035	6,201,618,086	84,646,035
Sub Accounts	6	1,612,395,468	2,693,324,665	1,612,395,468
TOTAL BALANCE		2,104,040,044	9,568,155,512	2,104,040,044

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 2019						
	Notes	BUDGET UGX	ACTUAL UGX	%AGE	VARIANCE UGX	%AGE
Balance B/F	6	9,568,155,512	9,568,155,512		0	
FINANCING						
IFAD Funds						
Initial Deposit		0	0		0	
Replenishments to SA	8	29,378,119,388	20,487,391,660	69.74%	8,890,727,728	30.26%
IFAD Direct Payments	7	8,683,508,957	9,261,457,404	106.66%	(577,948,447)	-6.66%
Government Funds	5	14,592,032,712	14,542,032,712	99.66%	50,000,000	0.34%
Other Donors (Farmers' contribution)		503,714,754	434,005,071	86.16%	69,709,683	13.84%
Other Receipts (Ex rate gain)	1(d)		(155,270,859)		155,270,859	
Other Receipts (Bank interest)			4,523		(4,523)	
TOTAL FINANCING		62,725,531,323	54,137,776,023	86.31%	8,587,755,300	13.69%
PROJECT EXPENDITURES:						
IFAD LOAN						
Vehicle & Equipment		6,678,098,000	5,124,654,494	76.74%	1,553,443,506	23.26%
Materials		392,720,000	319,658,700	81.40%	73,061,300	18.60%
Pontoon Landing sites		3,719,010,957	3,739,616,068	100.55%	(20,605,111)	-0.55%
Other Civil Works		4,630,408,840	4,329,713,143	93.51%	300,695,697	6.49%
Smallholder Oil Palm Development		8,174,740,251	7,160,546,440	87.59%	1,014,193,811	12.41%
Oilseed Guarantee						
Consultancies, Workshops and training		9,671,282,211	5,403,414,134	55.87%	4,267,868,077	44.13%
Extension services		8,307,400,000	6,780,487,646	81.62%	1,526,912,354	18.38%
Salaries and allowances		2,910,914,760	2,775,424,748	95.35%	135,490,012	4.65%
Operating Costs		1,948,340,000	1,688,382,142	86.66%	259,957,858	13.34%
		46,432,915,019	37,321,897,515	80.38%	9,111,017,504	19.62%
GOVERNMENT FUNDS						
Vehicle & Equipment						
Materials						
Pontoon Landing sites						
Other Civil Works						
Smallholder Oil Palm Development		14,437,032,712	14,031,548,147	97.19%	405,484,565	2.81%
Oilseed Guarantee						
Consultancies, Workshops and training						
Extension services						
Salaries and Allowances		150,000,000	150,000,000	100.00%	0	0.00%
Operating Costs						
		14,587,032,712	14,181,548,147	97.22%	405,484,565	2.78%
FARMERS' FUNDS						
Smallholder Oil Palm Development	6	600,000,000	530,290,317	88.38%	69,709,683	11.62%
Salaries and allowances	6					
Operating Costs	6					
	6	600,000,000	530,290,317	88.38%	69,709,683	11.62%
TOTAL PROJECT EXPENDITURES		61,619,947,731	52,033,735,979	84.44%	9,516,502,069	15.44%

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2			
IFAD LOAN NO. 806-UG			
CASH FLOW STATEMENT			
FOR THE YEAR ENDED JUNE, 30TH 2019			
	Notes	FY 2018/19 UGX	FY 2017/18 UGX
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
IFAD Releases		29,748,849,065	22,326,431,754
GOU Releases		14,542,032,712	9,592,033,262
Bank interest received		4,523	305,485
Farmers' contribution		434,005,071	1,056,468,426
Foreign exchange gain/(loss)		(155,270,859)	91,814,056
Total Receipts		44,569,620,512	33,067,052,983
Payments			
Salaries and allowances		2,925,424,748	3,466,195,747
Suppliers		19,384,141,567	10,359,121,900
Other payments		2,692,547,907	5,412,387,541
Net cashflows from Operating activities		19,567,506,289	13,829,347,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant and equipment		(5,124,654,494)	(551,074,020)
Buildings		(714,872,676)	0
Advances to Oilpalm farmers		(7,160,546,440)	(366,190,400)
land Purchase		(14,031,548,147)	(10,967,030,497)
Net cashflows from Investing activities		(27,031,621,757)	(11,884,294,917)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cashflows from Financing activities			
Net increase in cash and cash equivalents		(7,464,115,467)	1,945,052,879
Cash and cash equivalents at beginning of the year		9,568,155,512	7,623,102,633
Cash and cash equivalents at year end		2,104,040,044	9,568,155,512

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2		
IFAD LOAN NO. 806-UG		
TRAIL BALANCE		
FOR THE YEAR ENDED JUNE, 30TH 2019		
	Debit	Credit
Current Assets	2,104,040,044	
Bank Accounts	2,104,040,044	
Receipt	-	44,569,620,512
IFAD Receipts		29,748,849,065
Bank Interest		4,523
Farmers' Contribution		434,005,071
Forex Loss		(155,270,859)
Gou Funds		14,542,032,712
Expenditure	37,321,897,515	
Consultancies, Workshops & Training (7)	5,403,414,134	
Extension Services (8)	6,780,487,646	
Materials (2)	319,658,700	
Pontoon Landing sites (3)	3,739,616,068	
Operating Costs (10)	1,688,382,142	
Other Civil Works (4)	4,329,713,143	
Salaries and Allowances (9)	2,775,424,748	
Smallholder Oil Palm Development (5)	7,160,546,440	
Vehicles and Equipment (1)	5,124,654,494	
Other Expenditures	14,711,838,464	
Farmers Funds	530,290,317	
Gou Expenditures	14,181,548,147	
Opening balance		9,568,155,512
Grand Total	54,137,776,023	54,137,776,023

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2				
IFAD LOAN NO. 806-UG				
STATEMENT OF SPECIAL ACCOUNT ACTIVITIES				
FOR THE YEAR ENDED JUNE, 30TH 2019				
Account				
Bank				
Address: P.o. Box 7120 Kampala				
	Notes	USD	UGX	
Opening Balance (01/07/2018)		1,600,521	6,201,618,086	
Add:				
IFAD Replenishments:				
Date	WA No.			
19-09-18	58	1,394,773.08	5,324,546,233	
27-12-18		1,647,522.87	6,099,755,723	
24-04-19	65	2,427,069.39	9,063,089,704	
			-	
Total		7,069,886	26,689,009,746	
Deduct:				
Transfers to Operating Accounts:				
Date				
09-07-18		1,000,000	3,813,040,000	
03-10-18		1,500,000	5,698,500,000	
05-02-19		1,000,000	3,665,540,000	
03-04-19		79,702	296,400,000	
08-05-19		1,621,440	6,109,796,707	
		5,201,142	19,583,276,707	
Expenses through the Special account				
30-08-18 Bank Charges		1.33	5,015	
01-09-18 Allied Synergies		28,630	109,105,494	
19-09-18 Bank Charges		20	76,350	
21-09-18 Bank Charges		1	1,984	
21-09-18 Proforest		12,788	48,901,312	
03-10-18 Bank Charges		35	133,840	
19-12-18 Bank Charges		35	129,284	
19-12-18 Proforest		12,788	47,236,698	
27-12-18 Bank Charges		20	74,048	
08-01-18 Blink Logistics		29,715	111,073,481	
08-01-18 Blink Logistics		29,715	111,073,481	
10-01-19 Bank Charges		1.07	3,992	
10-01-19 Bank Charges		1.07	3,992	
11-01-19 Bank Charges		1.08	4,012	
28-01-19 OPUL		719,824.72	2,677,927,915	
11-01-19 OPUL		122,109.95	454,279,541	
06-02-19 Bank Charges		0.33	1,228	
28-02-19 Bank Charges		0.54	1,994	
29-03-18 Blink Logistics		93,106	346,361,768	
29-03-18 Bank Charges		1	2,009	
24-04-18 Bank Charges		20	74,683	
24-04-18 OPUL		526,080	1,980,996,515	
24-04-18 Bank Charges		1.48	5,573	
30-06-19		183,560	677,389,632	
			-	
Exchange Rate gain		-	133,870,802	
Closing Balance as at 30/06/2019		110,289.00	406,998,394	



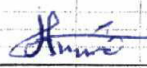
Explanation of the Exchange loss of UGX 133m

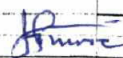
		USD	RoE	UGX
Opening balance		1,600,521	3,874.75	6,201,618,086
Add:	IFAD Replenishments			
Date	WA No			
19-09-18	58	1,394,773	3,817.50	5,324,546,233
27-12-18		1,647,523	3,702.38	6,099,755,723
24-04-19	65	2,427,069	3,734.17	9,063,089,704
Total		7,069,886	3,775.03	26,689,009,746
Less:				
Transfers to Operating Accounts				
Date				
09-07-18		1,000,000	3,813.04	3,813,040,000
03-10-18		1,500,000	3,799.00	5,698,500,000
05-02-19		1,000,000	3,665.54	3,665,540,000
03-04-19		79,702	3,718.85	296,400,000
08-05-19		1,621,440	3,768.13	6,109,796,707
		5,201,142		19,583,276,707
Expenses through the special account				
30-08-18	Bank charges	1.33	3,770.68	5,015.00
01-09-18	Allied Synergies	28,630.00	3,810.88	109,105,494.00
19-09-18	Bank charges	20.00	3,817.50	76,350.00
21-09-18	Bank charges	1.00	1,984.00	1,984.00
21-09-18	Proforest	12,788.00	3,824.00	48,901,312.00
03-10-18	Bank charges	35.00	3,824.00	133,840.00
19-12-18	Bank charges	35.00	3,693.83	129,284.00
19-12-18	Proforest	12,788.00	3,693.83	47,236,698.00
27-12-18	Bank charges	20.00	3,702.40	74,048.00
08-01-18	Blink Logistics	29,715.00	3,737.96	111,073,481.00
08-01-18	Blink Logistics	29,715.00	3,737.96	111,073,481.00
10-01-19	Bank charges	1.07	3,730.84	3,992.00
10-01-19	Bank charges	1.07	3,730.84	3,992.00
11-01-19	Bank charges	1.08	3,714.81	4,012.00
28-01-19	OPUL	719,824.72	3,720.25	2,677,927,915.00
11-01-19	OPUL	122,109.95	3,720.25	454,279,541.00
06-02-19	Bank charges	0.33	3,721.21	1,228.00
28-02-19	Bank charges	0.54	3,692.59	1,994.00
29-03-18	Blink Logistics	93,106.00	3,720.08	346,361,768.00
29-03-18	Bank charges	1.00	2,009.00	2,009.00
24-04-18	Bank charges	20.00	3,734.15	74,683.00
24-04-18	OPUL	526,080.00	3,765.58	1,980,996,515.00
24-04-18	Bank charges	1.48	3,765.54	5,573.00
30-06-19		183,560.00	3,690.29	677,389,632.00
Total expenses through special account		1,758,456		6,564,863,841
30-06-19	Net receipts/closing balance	110,288.77		540,869,198.00

RoE at 30-06-19	
USD 110,288.77 translated at 3690	406,997,545
Closing balance in UGX	540,869,198
Exchange loss	133,871,653

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2				
IFAD LOAN NO. 806-UG				
STATEMENT OF SPECIAL ACCOUNT ACTIVITIES				
FOR THE YEAR ENDED JUNE, 30TH 2019				
Account				
Bank:				
Address: P.o. Box 7120 Kampala				
	Notes	USD	UGX	
Opening Balance (01/07/2018)		129,017.04	499,908,776	
Add:				
IFAD Replenishments		-	0	
Total		129,017.04	499,908,776	
Deduct:				
Transfers to Operating Accounts:				
Date	05-12-18	129,017.00	478,508,571	
		129,017.00	478,508,571	
Expenses through the Special account		-	0	
Exchange Rate gain		-	(21,400,057)	
Closing Balance as at 30/06/2019		0.04	148	

		USD	RoE	UGX
Opening balance		129,017.04	3,874.75	499,908,776.00
Add:				
IFAD replenishments		-		
		129,017.04		499,908,776.00
Less:				
Transfer to operating accounts				
Date:	5/12/2018	129,017.00	3,708.88	478,508,571.00
		129,017.00		478,508,571.00
Exchange loss		-		(21,400,205.00)

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 2		Reporting Period: 01-07-18 to 28-06-19
IFAD Financing No.:		Loan B06-LK3		WA No.: 070
DESIGNATED ACCOUNT:				
BANK NAME:				
1 TOTAL ADVANCED BY IFAD				\$ 5,338,181.98
2 LESS TOTAL AMOUNT RECOVERED BY IFAD				\$ 1,403,445.41
3 EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (Line 1 less Line 2)				\$ 3,934,736.57
4 BALANCE OF DESIGNATED ACCOUNT PER ATTACHED BANK STATEMENT AS OF [DATE: 28/06/2019]				\$ 293,849.00
5 PLUS BALANCE OF THE PROJECT ACCOUNT(S) (LISTED SEPARATELY)				\$ 87,599.77
PLUS BALANCE OF SUB-ACCOUNTS (LISTED SEPARATELY)				\$ 180,141.01
PLUS BALANCE OF CASH IN HAND				\$ -
subtotal of 5				\$ 267,740.78
TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5)				\$ 561,589.78
6 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO. 070				\$ 1,748,558.64
7 PLUS TOTAL AMOUNT WITHDRAWN FROM THE DESIGNATED /PA/GRANT ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT) or WAs pending submission				279,342.51
REASON: Eligible amount of expenditures for which a WA has not yet been prepared				
8 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET CREDITED AT				
APPLICATION NO.		DATE	US\$	AMOUNT
WA 69				\$1,345,245.64
subtotal of 8				\$1,345,245.64
9 MINUS INTEREST EARNED (to be completed. If zero, please enter '0')				\$ -
10 TOTAL ADVANCE ACCOUNTED FOR (Line 5 * through Line 9)				\$3,934,736.57
11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10				US\$
				US\$
				US\$
12 DATE: 24-07-19		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:	01-07-18 to 30-06-19
IFAD Financing No.:	Loan 806-UG			
DESIGNATED ACCOUNT:	[REDACTED]			
BANK NAME:	[REDACTED]			
1 TOTAL ADVANCED BY IFAD				\$2,000,000.00
2 TOTAL AMOUNT TRANSFERRED TO PMU DESIGNATED AC				\$2,000,000.00
3 EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (Line 1 less Line 2)				\$0.00
4 BALANCE OF DESIGNATED ACCOUNT AS AT 30/06/2019				\$0
5 PLUS BALANCE OF THE PROJECT ACCOUNT(S) (LISTED SEPARATELY)				\$0
PLUS BALANCE OF SUB-ACCOUNTS (LISTED SEPARATELY)				\$0
PLUS BALANCE OF CASH IN HAND				\$0
			subtotal of 5	\$0
TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5)				\$0
6 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO.				\$0
7 PLUS TOTAL AMOUNT WITHDRAWN FROM THE DESIGNATED /PA/GRANT ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT) or WAS pending submission				\$0
REASON:	WAS' in the pipeline			
8 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET CREDITED AT THE				
	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)				\$0
11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10				\$0
12 DATE:	26-08-19		SIGNATURE:	
			Name in Full	Bwire Jackson
			Title in Full	Financial Controller

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2											
IFAD LOAN NO.806-UG											
SOEs-WITHDRAWAL APPLICATION STATEMENT											
FOR THE YEAR ENDED JUNE 30TH , 2019											
BY CATEGORY OF EXPENDITURES (USHS)											
Category	WA 059	WA 060	WA 061	WA 062	WA 063	WA 064	WA 065	WA 066	WA 067	WA 068	Total
Vehicle & Equipment		475,983,000			3,759,774,447		194,401,494				4,430,158,941
Materials		208,100,000					220,957,700				429,057,700
Pontoon Landing sites			1,317,600,000					2,401,144,068			3,718,744,068
Other Civil Works		525,479,399					2,217,206,012				2,742,685,411
Smallholder Oil Palm Development	550,878,827			830,887,500		3,254,030,028			1,232,060,062	1,980,996,515	7,848,852,932
Oilseed Guarantee											-
Consultancies, Workshops & training		2,336,348,026					1,361,752,345				3,698,100,371
Extension services		4,633,857,109					2,648,915,220				7,282,772,329
Salaries and allowances		2,013,243,840					1,462,736,242				3,475,980,082
Operating Costs		878,666,077		852,100		73,689,400	1,057,722,653				2,010,930,230
Initial deposit											-
Total (Ushs)	550,878,827	11,071,677,451	1,317,600,000	831,739,600	3,759,774,447	3,327,719,428	9,163,691,667	2,401,144,068	1,232,060,062	1,980,996,515	35,637,282,065
Total (USD)	146,870.08	3,050,968.28	367,517.05	231,190.98	1,008,150.00	904,546.99	2,427,069.39	668,658.35	332,084.50	526,080.05	9,663,135.66
Recovered		1,372,935.73		231,190.98		904,546.99				526,080.05	
Rejected	-	-	-	-	-	-	-	-	-	-	-
Net Reimbursed	146,870.08	1,678,032.56	367,517.05	-	1,008,150.00	-	2,427,069.39	668,658.35	332,084.50	-	6,628,381.92

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 PHASE 2			
IFAD LOAN NO. 806-UG			
STATUS OF LOAN BALANCE AS AT JUNE, 30TH 2019			
AS PER IFAD RECORDS			
	Allocation	Disbursement	%
Vehicles and equipments	1,270,000	1,791,843.27	141.09%
Materials	830,000	755,206.30	90.99%
Pontoon landing sites	810,000	748,885.96	92.46%
Other Civil works	1,040,000	1,104,298.21	106.18%
Smallholder oil palm development	9,560,000	10,125,442.01	105.91%
Oil seed Guarantee Fund	-	-	
Consultancies, Workshops and Training	3,360,000	2,520,975.93	75.03%
Extension services	8,080,000	4,692,043.99	58.07%
Salaries and allowances	3,510,000	3,425,177.28	97.58%
Operating costs	2,100,000	2,221,087.89	105.77%
Unallocated	2,940,000		0.00%
Total	33,500,000	27,384,960.84	81.75%
<i>Initial Deposit</i>		<i>2,771,413.01</i>	
TOTAL	33,500,000	30,156,373.85	90.02%

VEGETABLE OIL DEVELOPMENT PROJECT PHASE 2			
IFAD LOAN NO. 806-UG			
STATUS OF LOAN BALANCE AS AT JUNE, 30TH 2019			
AS PER PROJECT RECORDS (INCLUDING WAS IN PIPELINE)			
	Allocation	Disbursement	%
Vehicles and equipments	1,270,000	1,891,175.91	148.91%
Materials	830,000	786,393.89	94.75%
Pontoon landing sites	810,000	748,885.96	92.46%
Other Civil works	1,040,000	1,520,511.05	146.20%
Smallholder oil palm development	9,560,000	10,125,442.01	105.91%
Consultancies, Workshops and Training	3,360,000	3,176,729.38	94.55%
Extension services	8,080,000	5,311,451.45	65.74%
Salaries and allowances	3,510,000	3,710,054.00	105.70%
Operating costs	2,100,000	2,325,466.92	110.74%
Unallocated	2,940,000		0.00%
Total	33,500,000	29,596,110.58	88.35%
<i>Initial Deposit</i>		<i>2,100,289.09</i>	
TOTAL	33,500,000	31,696,399.67	94.62%

MINISTRY OF AGRICULTURE ANIMAL INDUSTRY AND FISHERIES
VEGETABLE OIL DEVELOPMENT PROJECT
IFAD LOAN NO.806-UG
ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2019
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, 2019 is UGX 3,690.29 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 52,033,735,979 against the budget of UGX 61,619,947,731 amounting to 84.44% budget performance. Of the budgeted IFAD loan of UGX 46,432,915,019, UGX 37,321,897,515 was spent, leading to a budget performance of 80.38%. Government counterpart funding of UGX 14,587,032,712 was budgeted and the actual expenditure of UGX 14,181,548,147 was achieved leading to a 97.22% budget performance. A total of UGX 600,000,000 was budgeted as farmers' contribution and UGX 530,290,317 was spent leading to 88.38% performance.

Vehicles and equipment

- The project purchased two double cabin pickups, 224 bicycles, 1 cold room for NacRRI, 1 speed boat, 1 seed cleaner for NacRRI, 25 seed cleaners for oilseeds farmer groups and 4 tractors. Design works for Buvuma ferry commenced on 24th June 2019 and the Contractor submitted preliminary designs which have been reviewed.

Civil works

- The project constructed 167km of farm roads on Bugala Island. The scope of the construction works included bush clearing, levelling/ grading, shaping to form camber and compaction. It also maintained 48km of farm roads on Bugala islands.
- 34Km and 67km of farm road were constructed during the year on Bunyama and Bubembe islands respectively.
- The Project started construction of Fertilizer Stores on Bunyama and Bubembe islands respectively. Currently, 65% of the works have been done on Bunyama and 45% on Bubembe. The project also made an extension of KOPGT office.

- Construction of offices for Buvuma hub is at 50% progress and completion is scheduled for December 2019.

Landing sites

- Contractors to carry out design and construction ferry landings for Kiyindi, Buvuma and Bugala Islands was procured. Design works commenced in June 2019 and the Contractors are due to submit their preliminary designs.

Consultancies, workshops and training

- In order to address the challenges facing oil palm production, NaCRRI initiated studies with the following objectives to; 1) Develop improved soil fertility and tree management technologies for oil palm, 2) identify and manage oil palm diseases and pests, 3) identify causes of oil palm physiological disorders, 4) strengthen research collaboration and partnerships, and 5) disseminate technologies developed through appropriate uptake pathways. To achieve these objectives several studies and interventions were undertaken.
- The project partnered with Uganda Cooperative Alliance to support the formation and strengthening of farmer organizations in the oilseed sector under the project in the 4 hubs. The contract with UCA was to ensure that the farmer groups are sustainable after the implementation of VODP 2. Overall, UCA has achieved their targets on the formation of Higher Level Farmer Organizations where 26 HLFOs have been registered out of the targeted 25 (104%); the target of 15 existing HLFOs strengthened in governance and oil seeds enterprises has been achieved (100%); 25 of the 26 new newly formed HLFOs have been strengthened and supported to acquire functional leadership and management systems; 798 of the targeted 800 lower level farmer organisations have been registered as members of Area Cooperative Enterprises (ACEs); 798 out of the targeted 450 are fully registered farmer groups in oil seeds production clusters with at least 50% women; and, 49 clusters out of the targeted 45 clusters have been formed and supported to deliver production and marketing support to their members. Table 3.14 below provides the progress on the implementation of the UCA contract.

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 registered farmers under Kalangala Oil Palm Growers Trust (KOPGT) has increased from 1,810 (36% female) in June 2018 to 2,063 (39% female) in June 2019. KOPGT also has 37 registered institutions like Churches.
- Oil palm farmers repaid UGX 6.39 billion up from UGX 18.49 billion last year. This brings the total recoveries to UGX 24.87 billion.
- Between July 2018 and June 2019, the farmers in Kalangala were facilitated to harvest 46,885 tons of oil palm FFBs. The farmers in Kalangala have now cumulatively harvested 171,500 MT of FFB valued at UGX 82.459 billion since January 2010.
- Between July 2018 and June 2019, a total of 46,885 tons of FFB valued at UGX 22,243,006,251 (UGX 22.234 billion) were harvested by the smallholder farmers in Kalangala. In the months of April and May 2019, the farmers harvested 5,573 tons and 5,811 tons respectively, the highest ever FFB harvests in Kalangala since January 2010 when farmers started harvesting. Also, the FFB harvests by financial year increased from 37,802 tons valued at UGX 21.4 billion in FY 2017/18 to 43,262 tons valued at UGX 20.6 billion in FY 2018/19 showing that FFB harvest had a 13% increase but the value of production went down as a result of lower average prices. Cumulatively, the smallholder farmers in Kalangala have harvested 171,500 tons of FFB valued at UGX 82.459 billion between January 2010 and July 2019. The increase in production is largely attributed to an increase in area mature for harvesting and an increase in yield due to farmers following the recommended agronomic practices and fertilizer regime.

Extension service

- The project has continued to contract 11 private service providers/ firms to provide extension and value chain support services and the number of farmers groups supported increased from 5,311 in the 2017/18 planning year to 6,539 in 2018/19 representing an overall increment of 23% with 110% of the planned target growing sunflower, soybeans, sesame and ground nuts.
- For sustainability of the oil seeds investment, the project has also continued to partner with Uganda Cooperative Alliance (UCA) to build the capacity of the farmer groups to form Higher Level Farmer Organizations and by December 2018, 50 Higher Level Farmer Organizations had been formed (125% of the project target).

- The project interventions have also resulted into an increase in the number of farmers buying certified sunflower and soybeans seeds from 12,488 farmers in 2017 to 36,311 (190% increase) in 2018; and, from 21,369 in 2017 to 38,652 (173% increase) respectively.
- The farmer groups bulk selling increased to 1,200 (120% of project target) and the mill capacity utilization in Lira and Gulu Hubs increased to 58% (68% of the project target).
- The total number of project beneficiaries increased to 119,469 (87% of the project target) with 40% female.
- A total of 3,959 oil seed farmer were supported to access production credit facility of UGX 3.4billion from various financial institutions. Oilseeds production especially sunflower and soybeans has expanded from about 6 districts to currently over 50 districts.
- The project has been able to stimulate private investment into oil seeds processing and the number of private sector mills has increased from about 40 mills in 2000, to over 100 by June 2019. The milling capacity utilization increased from 35% to 58%. This was due to increased productivity that provided increased crushing materials to the mills.

4. Budget variance

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

- Consultancies, workshops and training;** the budget performance of 55.87% is due to the following reasons: completion report was not undertaken, NaCRRI and NaSSARI did not undertake all their activities, and a number of studies were not undertaken.

5. Release of funds during the Year 2018/19 – 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 14.59 billion for project activities, of which a total of Ushs 14.54 billion 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	2018/19		2017/18	
	Budget (Ugx)	Release	Budget (Ugx)	Release
Total	14,592,032,712	14,542,032,712	9,592,033,262	9,592,033,262

6. Cash and Cash equivalents

Project Accounts	2018/19	2017/18
Farmers' loan Special A	148	501,197,656
VODP Special Account	406,998,394	6,217,607,289
VODP Operating Account	84,646,035	173,303,985
Land Funds	618,120,238	653,292,998
Sub Accounts	994,275,230	2,040,031,667
Total cash balances	2,104,040,044	9,585,433,595

Sub Accounts	2017/18	2017/18
KOPGT Operations account	-	68,748,978
Farmers loan KOPGT account	-	392,068,104
Farmers' FFB transport Account	-	104,584,746
Kalangala DLG	-	501,105
Buvuma DLG account	62,925	-
Funds with MAAIF	305,120,604	305,120,604
COREC Account	364,321,876	182,145,021
NACRRI	112,171,441	202,366,396
NASARRI	33,489,748	461,152,306
UNBS	161,628,443	3,309,111
Alebtong	-	22,105
Amuria	-	43,914,880
Amuru	-	28,800
Apac	-	-
Arua	-	109,195,250
Bugiri	-	1,433,080
Bukwo	-	1,303,180
Bulambuli	-	6,131,000
Dokolo	8,986,000	-
Gulu	-	10,000,000
Jinja	-	5,000
Kaberamaido	-	-
Kamuli	-	3,988,000
Katakwi	-	26,238,243
Kiryandongo District	-	8,591,059
Koboko District	-	-
Kole District	-	7,959,610
Kumi District	551,300	551,300
Lamwo District	2,097,250	47,737,000
Lira District	-	-
Masindi District	-	1,132,240
Mayuge	-	59,250
Maracha District	-	212,000
Moyo District	-	47,420,000
Nebbi District	-	478,200
Ngora District	-	551,300
Nwoya District	-	55,150
Otuke District	710,757	736,234
Oyam District	5,083,506	43,131
Serere District	44,340	130,790
Sironko District	-	200,434
Soroti District	7,040	-
Yumbe District	-	1,355,500
Zombo District	-	562,560
Total Sub Accounts	994,275,230	2,040,031,667

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

Date	WA	Account	Amount	USD
01-11-18	59		550,878,827	146,870.08
28-02-19	61		1,317,600,000	367,517.05
28-02-19	66		2,401,144,068	668,658.35
29-03-19	67		1,232,060,062	332,084.50
17-04-19	63		3,759,774,447	1,008,150.00
Total			9,261,457,404	2,523,279.98

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
19-09-18	58	VODP Operations Designated account	5,324,546,233	1,394,773.08
27-12-18	60	VODP Operations Designated account	6,099,755,723	1,647,522.87
24-04-19	65	VODP Operations Designated account	9,063,089,704	2,427,069.39
Total			20,487,391,660	5,469,365.34

9. Farmers ffb contribution

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

10. Statement of Non-Current Assets

During the year ended June 30, 2019, assets worth shs 19.13 billion were acquired and no disposals made. The overall investment in assets under VODP stands at Shs.94.67 billion. The details are as summarised below.

	Equipment	Furniture	Vehicles	Buildings	Land	Total
	UGX	UGX	UGX	UGX	UGX	UGX
30th June 2018	913,561,737	142,246,400	3,530,452,041	1,051,199,050	69,897,350,529	75,534,809,757
Additions	221,205,000	0	4,903,449,493	714,872,676	13,293,390,972	19,132,918,141
Disposals	0	0	-	0		0
30 th June 2019	1,134,766,737	142,246,400	8,433,901,534	1,766,071,726	83,190,741,501	94,667,727,898

11. Releases to KOPGT for Oil Palm Activities

Kalangala Oil Palm Growers' Trust (KOPGT) Loan Portfolio as 30/06/2019			
Loans Disbursed	Cash Loans	Inputs Loan	Total
Opening amount	27,246,812,067	20,273,199,696	47,520,011,763
Disbursement during the year	393,607,935	1,078,784,797	1,472,392,732
Total Loan disbursements (30/06/19)	27,640,420,002	21,351,984,493	48,992,404,495
Recoveries			
Opening			18,483,441,509
Year			6,391,636,706
Total recoveries			24,875,078,215
Loan amount net of recoveries			24,117,326,280

A total of shs 0.39billion was disbursed by KOPGT as cash loans to oil palm smallholders growers for the year 2018/2019, which led to a total cash loan disbursement of Shs 27.64billion to the farmers of Oil Palm. shs 1.08 billion was advanced to farmers in terms of inputs during the year 2018/2019, increasing the total inputs loans to farmers to Ushs 21.35 billion. The total loan portfolio (cash loans plus input loans) amounts to Ushs 48.99 billion of which Ushs 24.88 billion has been.

Kalangala Oil Palm Growers Trust (KOPGT) statement of FFB sales and loan recovery 2010 - Aug'2019		
Months	Net sales from the schedules	33% loan recovery from ffb sales
Jul-09		-
Aug-09		-
Sep-09		-
Oct-09		-
Nov-09		-
Dec-09		-
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	205,226,882
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	775,615,981
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	1,014,085,764
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	1,248,616,013
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	395,572,920	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	614,007,907	224,452,456
June'15	484,973,020	177,309,376
Total FY 14/15	4,884,786,375	1,691,928,151
Jul-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
Feb'16	343,396,145	113,320,728
Mar'16	804,411,428	265,455,771
April'16	1,363,303,191	449,890,053
May'16	1,324,814,913	437,188,921
June'16	1,006,956,925	332,295,785
Total FY 15/16	8,004,722,533	2,641,558,436
Jul-16	721,686,458	238,156,531
Aug-16	637,181,080	210,269,756
Sep-16	714,718,156	235,856,991
Oct-16	945,243,740	311,930,434
Nov-16	1,218,300,620	402,039,205
Dec'16	1,022,092,310	337,290,462
Jan'17	1,239,288,794	408,965,302

Feb'17	1,190,705,390	392,932,779
Mar'17	1,296,935,896	427,988,846
April'17	1,240,920,025	409,503,608
May'17	1,392,777,730	459,616,651
June'17	1,061,542,498	350,309,024
Total FY 16/17	12,681,392,697	4,184,859,590
Jul-17	916,392,085	302,409,388
Aug-17	974,317,436	321,524,754
Sep-17	933,002,013	307,890,664
Oct-17	1,393,170,123	459,746,141
Nov-17	1,781,165,705	587,784,683
Dec'17	1,521,394,322	502,060,126
Jan'18	1,527,347,233	504,024,587
Feb'18	1,610,713,457	531,535,441
Mar'18	2,812,513,726	928,129,530
April'18	2,756,826,327	909,752,688
May'18	2,361,255,903	779,214,448
June'18	1,734,951,971	572,534,150
Total FY 17/18	20,323,050,301	6,706,606,599
July'18	1,574,906,773	519,719,235
Aug'18	1,770,117,285	584,138,704
Sept'18	1,573,793,756	519,351,939
Oct'18	1,573,805,190	519,355,713
Nov'18	1,238,138,834	408,585,815
Dec'18	1,064,038,860	351,132,824
Jan'19	994,703,608	328,252,191
Feb'19	1,227,719,366	405,147,391
Mar'19	1,918,068,467	632,962,594
April'19	2,343,847,738	773,469,754
May'19	2,577,427,185	850,550,971
June'19	1,512,029,017	498,969,576
Total FY 18/19	19,368,596,079	6,391,636,706
Grand Total	75,133,871,934	24,874,126,385