Investing in rural people

**Executive Board**
142nd Session
Rome, 18-19 September 2024

# President's report
# Proposed loan
# Republic of Uganda
# Resilient Livestock Value Chain Project (ReLIV)

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**FOR: APPROVAL**

**Action**: The Executive Board is invited to approve the recommendation contained in paragraph 55.


**Technical questions:**

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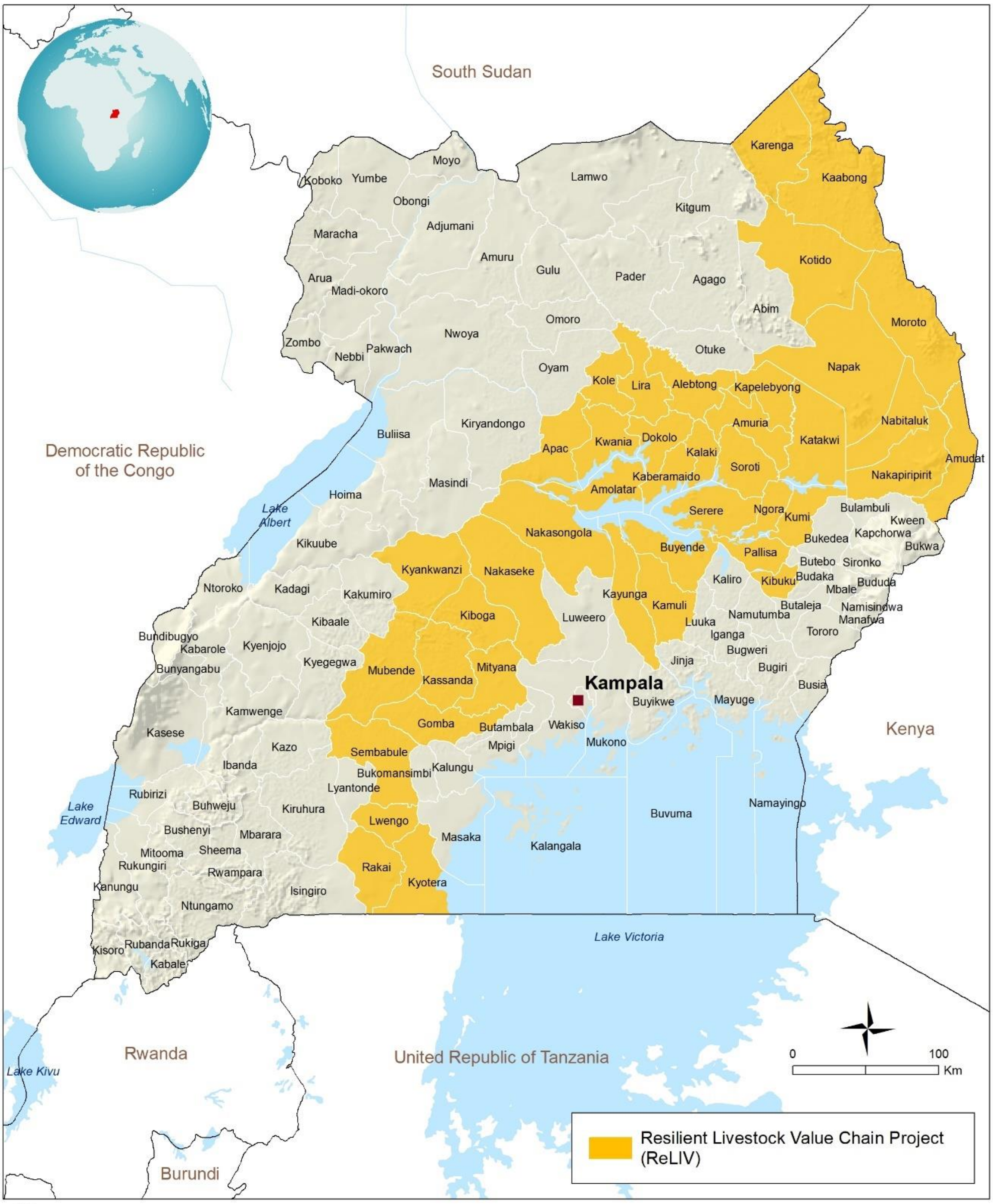
# Map of the project area




The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD *Map compiled by IFAD* | 06-02-2024

# Financing summary

| | |
|---|---|
| **Initiating institution:** | IFAD |
| **Borrower/recipient:** | Republic of Uganda |
| **Executing agency:** | Ministry of Agriculture, Animal Industry and Fisheries |
| **Total project cost:** | US$204.80 million |
| **Amount of IFAD loan 1 under the performance-based allocation system (PBAS):** | US$71.65 million |
| **Terms of IFAD loan 1:** | Super highly concessional, with a maturity period of 50 years, including a grace period of 10 years, with a service charge of 0.10 per cent per annum (adjustments for single-currency loans) |
| **Amount of IFAD loan 2 under PBAS:** | US$17.91 million |
| **Terms of IFAD loan 2:** | Highly concessional, with a maturity period of 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum (adjustments for single-currency loans) |
| **Amount of IFAD loan 3 under the Borrowed Resource Access Mechanism (BRAM):** | US$10.00 million |
| **Terms of IFAD loan 3:** | Ordinary, with a maturity period of 29 years, including a grace period of 10 years, subject to interest at a rate equal to the IFAD reference interest rate including a variable spread |
| **Amount of cofinancing:** | Green Climate Fund (GCF): US$42.50 million<br>Global Environment Facility (GEF): US$7.50 million<br>Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM): US$15.00 million |
| **Terms of cofinancing:** | GCF: 55 per cent grant and 45 per cent senior loan<br>GEF: Grant<br>ARCAFIM: Loan |
| **Contribution of borrower/recipient:** | US$31.97 million |
| **Contribution of beneficiaries:** | US$8.30 million |
| **Amount of IFAD climate finance:** | US$50.66 million |
| **Cooperating institution:** | Directly supervised by IFAD |

# I. Context

## A. National context and rationale for IFAD involvement

### National context

1. Uganda is a low-income country, with a GDP per capita of US$1,088 in 2022/2023 (up from US$824 in 2016/2017). In 2022, the country had a population of 47 million, 38 million of whom were living in rural areas. Uganda implements a series of five-year National Development Plans. The third such plan is currently under way, through which Uganda aspires to reach middle-income status by achieving a GDP per capita of US$1,198 by 2024/2025.

2. Uganda's poverty rate has fluctuated over the last 10 years, from 19.7 per cent in 2012/2013 to 21.4 per cent in 2016/2017, after which it decreased marginally to 20.3 per cent in 2019/2020. Income inequality, as measured by the Gini coefficient, increased from 0.38 in 2012/2013 to 0.42 in 2016/2017; and it fell slightly in 2019/2020, to 0.41. Currently, Uganda is implementing various strategic interventions to reduce poverty to the desired 5 per cent by 2040.

3. Uganda's Global Hunger Index score has improved from 35.0 (classified as alarming) in 2000 to 25.2 (classified as serious) in 2023. Uganda ranks 95$^{th}$ out of the 125 countries with sufficient data to calculate 2023 Global Hunger Index scores.

4. Agriculture is the dominant source of livelihood, with 68 per cent of the population working in the agriculture, forestry and fisheries sector. In 2022/2023, agriculture (crops, livestock, forestry and fisheries) contributed 23.8 per cent of the GDP, and the country registered an agriculture-related GDP growth rate of 4.8 per cent.

### Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with IFAD's mainstreaming commitments, the project has been validated as:

   ☒ Including climate finance

   ☒ Nutrition-sensitive

   ☒ Youth-sensitive

   ☒ Including adaptive capacity

6. **Nutrition.** Nutrition-sensitive value chains have been identified as a promising strategy for improving household dietary diversity and local production of nutritious and higher-quality agricultural products. Nutrition is affected by access, availability, affordability, safety and quality of food. A nutrition-sensitive value chain can drive agricultural productivity for household consumption or sale, accompanied by nutrition education, social and behavioural change and communication to support improved dietary diversity and well-balanced diets.

7. **Gender.** The dairy and beef value chains are intertwined with gender roles. Men are generally cattle owners, while women have ownership over milk as they tend to be more involved in dairy processing. Women are hindered in dairy development by lack of ownership, access to resources and assets, which also results in lack of collateral for financial instruments. Livestock development would greatly benefit from women's increased role in dairy and beef value chains. This can be achieved through the integration of a gender lens and gender-sensitive approach.

8. **Youth.** Uganda currently has the second youngest population in the world, with more than 78 per cent below 30 years of age. The young population encompasses both educated/skilled youth and unskilled youth living in rural areas; the latter group represents the majority. For youth, having access to productive assets, being linked to a market, having opportunities to access credit and finance, and working with modern and digital technologies are important. Creating jobs and decent

employment for youth in the livestock value chains can reduce rural poverty and improve food security and nutrition in the country.

9. **Persons with disabilities.** The Resilient Livestock Value Chain Project (ReLIV) will target households with persons with disabilities and ensure that they benefit from project services and, whenever possible, are able to engage in the dairy and beef value chains and agribusinesses. Additionally, ReLIV will aid persons with disabilities to participate in various cooperatives and groups, and provide them with support to access training, credit, financial services and productive resources. IFAD has already had success in the inclusion of persons with disabilities through the Project for Restoration of Livelihoods in the Northern Region of Uganda.

10. **Climate change and adaptive capacity.** Uganda's livestock sector is characterized by challenges such as low-quality breeds, poor quality and insufficient fodder and pasture, limited water availability, ineffective disease surveillance and management, inadequate manure management, insufficient breeding services and limited capacity, poor herd management, inefficient rangeland management and governance, and generalized low productivity. The livestock sector is a major source of greenhouse gas emissions in Uganda, with the dairy sector accounting for 21 per cent of total anthropogenic greenhouse gas emissions, or 19.1 million tons of carbon dioxide equivalent, of which 98.6 per cent is methane.

**Rationale for IFAD involvement**

11. Over the years, IFAD has been successful in supporting the development of the livestock sector in many countries. The experience, lessons and methodological approaches generated by the Rwanda Dairy Development Project, the Partnership for Resilient and Inclusive Small Livestock Markets Programme in Rwanda, the Kenya Livestock Commercialization Project and the Smallholder Dairy Commercialization Programme in Kenya provide IFAD with a recognized comparative advantage in supporting the implementation of livestock projects.

12. IFAD is well-positioned to address the key climate, environmental and social challenges identified for the dairy and beef value chains in Uganda, and to meet the targets set out in the National Adaptation Plan and Nationally Determined Contributions. In this context, ReLIV will leverage additional climate finance from the Green Climate Fund and the Global Environment Facility for climate change adaptation and mitigation measures such as fodder conservation equipment, drought-tolerant fodder and pasture varieties, sustainable land management, agroforestry, resilient and adaptive livestock breeds, renewable energy, livestock insurance, and climate and weather information systems. ReLIV will also support young men and women in accessing services and products provided by the project, thereby addressing youth unemployment.

13. An inclusive, competitive and climate-smart livestock sector in Uganda offers opportunities for economic growth, improved livelihoods for smallholder producers, the inclusion of women and youth, and employment along the value chain. It also brings important benefits in the areas of nutrition and public health, and potential for mitigating environmental and climate impact, while improving resilience. IFAD’s engagement and expertise can contribute to delivering these benefits.

## B. Lessons learned

14. ReLIV will build on lessons from livestock projects in Uganda and in the region, with particular attention to the areas described below.

15. **Research and innovation.** The latest IFAD country strategy and programme evaluation for Uganda (undertaken in 2021 and covering the period 2013–2020) confirmed that support for agricultural research has led to the dissemination of a range of technologies across the country, some of which were innovative in Uganda. ReLIV will build on this by supporting key institutions in Uganda, such as Makerere University.

16. **Aggregation.** Previous interventions by other development partners have proved that aggregation mechanisms around a nucleus farm are an effective way to engage smallholders in the value chain, when the socioeconomic context is not adequate for the cooperative model.

17. **Multi-stakeholder platforms.** Completed and ongoing livestock projects in Kenya, Rwanda and the United Republic of Tanzania have demonstrated that multi-stakeholder platforms are powerful tools to initiate and promote value chain partnerships and that policy participation of value chain actors is also very important.

# II. Project description

## A. Objectives, geographical area of intervention and target groups

18. The goal of the project is to contribute to the improvement of livelihoods of smallholder livestock farmers in Uganda. ReLIV's development objective is to enhance the income, nutrition and resilience of smallholder dairy and beef producers.

19. ReLIV will work in 41 selected districts in the cattle corridor of Uganda. The districts were selected based on the following: (i) high incidence and density of poverty, food insecurity and malnutrition; (ii) herd size of households and potential for value chain development, including markets for animal-sourced products; (iii) high potential for engagement by women and youth; and (iv) climate vulnerability.

20. The project will target 200,000 households comprising smallholder dairy and beef farmers engaged in intensive and semi-intensive small-scale integrated production systems, and in small and medium-sized extensive agropastoral systems. At least 40 per cent of beneficiaries will be women, and 25 per cent will be youth.

## B. Components, outcomes and activities

21. ReLIV will have the following components: (i) increasing productivity and resilience and reducing the climate impact of production; (ii) enhancing access to markets for smallholder producers and investments in the value chain; and (iii) policy support and coordination.

22. **Component 1: Increasing productivity and resilience and reducing the climate impact of production.** This component will support the transformation of smallholder and grazing/pastoral production systems to improve their productivity, increase their resilience to climate change and other constraints and shocks, lower their anthropogenic greenhouse gas emissions and enhance carbon sequestration in rangelands and pastures. Component 1 will aim to achieve four outputs: (i) enhanced access to quality feed, fodder and water; (ii) enhanced access to breeding services and development of an animal identification system; (iii) enhanced access to veterinary and animal health services; and (iv) enhanced extension services and technical support to farmers.

23. **Component 2: Enhancing access to markets for smallholder producers and investments in the value chain.** Interventions under this component will focus on the post-production level and the financial sector and are intended to foster collective action among smallholder beef and dairy farmers, and broaden market opportunities for farmers. Additionally, component 2 interventions aim to increase the efficiency of the dairy and beef value chains; increase investment at different points in the value chains through better access to finance; promote green and sustainable solutions; improve food safety and nutrition; and reduce food loss and waste at various stages of the value chains. This component will aim to achieve three outputs: (i) improved aggregation of production and access to markets for smallholder producers; (ii) strengthened quality, food safety and local consumption

of livestock commodities; and (iii) improved access to financial products for value chain actors.

24. **Component 3: Policy support and coordination.** ReLIV will support the formulation, review and updating of sector policies, strategies and regulations based on the demand of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). Uganda is in the process of establishing a national agriculture regulatory authority; IFAD will follow developments in this regard to determine any adjustments needed. ReLIV will promote the inclusion of all key stakeholders within the dairy and beef value chains through the creation of multi-stakeholder platforms. It will build on the achievements of the 50x2030 initiative, which supports countries in collecting better and more reliable agricultural and rural data and in using the data for their policy and decision-making processes.

## C. Theory of change

25. ReLIV will address the development challenges related to poverty, food insecurity and malnutrition by working on the production, marketing and regulatory environment of the dairy and beef value chains. Through the project, the target groups (rural poor people, persons with disabilities, women and youth) can find a pathway to overcome these challenges. ReLIV will promote productivity by: (i) supporting access to feed and water; (ii) facilitating access to animal health and nutrition services, and breeding services; and (iii) improving extension and promoting climate-resilient practices and innovations. ReLIV will also work on ensuring access to markets through: (i) strengthening producers' organizations and cooperatives for milk and meat aggregation; (ii) facilitating partnership between the private sector and producer groups; (iii) supporting small-scale processing; (iv) establishing and rehabilitating enabling infrastructure; (v) creating awareness on nutrition; and (vi) facilitating access to finance. Cutting across production and marketing, ReLIV will promote climate-resilient practices, digital innovations, and the creation of a conducive policy and regulatory framework.

26. ReLIV interventions will increase productivity and production and lower emissions for the target group, leading to higher incomes. This in turn will reduce their poverty and food insecurity, improve their nutrition status and reduce their environmental and climate impact (through the knowledge acquired and income gains), while building their resilience to shocks and climate change. This impact will drive sustainable and transformative change in the current project context.

## D. Alignment, ownership and partnerships

27. ReLIV will contribute to the following Sustainable Development Goals: SDGs 1 (no poverty), 2 (zero hunger), 5 (gender equality), 8 (decent work and economic growth) and 13 (climate action). The project is also aligned with the aspirations of the 2030 Agenda for Sustainable Development to end hunger, achieve food security, improve nutrition, promote sustainable agriculture, promote inclusive and sustainable industrialization, and foster innovation.

28. ReLIV is fully aligned with the Third National Development Plan under the Agro-Industrialization Programme, whose goal is to increase the competitiveness of agricultural production and agroprocessing, with dairy and livestock as key priorities.

29. ReLIV will be integrated with the regional Dairy Interventions for Mitigation and Adaptation (DaIMA) programme, with GCF funding to be approved in 2025. ReLIV is also aligned to the GEF proposal for Uganda as part of the GEF-8 Food Systems Integrated Programme led by IFAD and the Food and Agriculture Organization of the United Nations. Moreover, the project will also incorporate ARCAFIM financing.

## E. Costs, benefits and financing

30. ReLIV components 1 and 2 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for ReLIV is estimated at US$50.66 million.

**Project costs**

31. The overall cost of the project is estimated at US$204.8 million, of which US$174.2 million represents the base cost and US$30.6 million the contingency allowances. The project costs include investment costs and incremental operating costs within the three components. Annual local and foreign inflation rates have been set at 4.1 per cent during the implementation period, according to forecasts of the Economist Intelligence Unit.

Table 1
**Project costs by component, subcomponent and financier**
(Thousands of United States dollars)

| | *IFAD PBAS SHC loan* | | *IFAD PBAS HC loan* | | *IFAD BRAM loan* | | *GCF DaIMA* | | *ARCAFIM loan* | | *GEF grant* | | *Beneficiaries* | | | *Government of Uganda* | | | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Component/subcomponent* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Cash* | *In-kind* | *%* | *Cash* | *In-kind* | *%* | *Amount* |
| **1. Increasing productivity and resilience and reducing the climate impact of production** | | | | | | | | | | | | | | | | | | | |
| 1.1. Improving feed and fodder production, rangeland management and access to water | 14 629 | 31 | 3 657 | 7 | 5 044 | 10 | 11 396 | 23 | - | 0 | 5 415 | 11 | - | - | 0 | 231 | 8 480 | 18 | 48 853 |
| 1.2. Improving animal identification and breeding | 16 572 | 64 | 4 142 | 16 | - | 0 | - | 0 | - | 0 | - | - | - | - | 0 | 875 | 4 195 | 20 | 25 784 |
| 1.3. Improving animal health services for resilient and low-emission animals | 11 726 | 42 | 2 931 | 7 | - | 0 | 361 | 1 | - | 0 | 137 | 1 | 5 277 | - | 18 | - | 9 148 | 31 | 29 580 |
| 1.4. Improving extension and delivery of technical support to farmers | 923 | 14 | 231 | 4 | - | 0 | 4 432 | 68 | - | 0 | 581 | 9 | - | - | 0 | - | 381 | 6 | 6 547 |
| **Subtotal** | **43 850** | **40** | **10 961** | **9** | **5 044** | **5** | **16 189** | **15** | **-** | **0** | **6 133** | **6** | **5 277** | **0** | **5** | **1 106** | **22 204** | **21** | **110 764** |
| **2. Enhancing access to markets for smallholder producers and investments in the value chain** | | | | | | | | | | | | | | | | | | | |
| 2.1. Supporting aggregation of production and access to markets for smallholder producers | 7 762 | 31 | 1 940 | 7 | 4 956 | 19 | 5 529 | 21 | - | 0 | 1 368 | 5 | - | - | 0 | 1 220 | 3 096 | 16 | 25 870 |
| 2.2. Strengthening food safety and local consumption of livestock commodities | 8 174 | 53 | 2 043 | 13 | - | 0 | 928 | 6 | - | 0 | - | 0 | 1 864 | - | 12 | | 2 511 | 16 | 15 520 |
| 2.3. Improving access to financial products for value chain actors | 5 275 | 12 | 1 319 | 3 | - | 0 | 19 000 | 46 | 15 000 | 36 | - | 0 | 1 166 | - | 3 | | 0 | 0 | 41 761 |
| **Subtotal** | **21 211** | **26** | **5 302** | **6** | **4 956** | **6** | **25 456** | **31** | **15 000** | **18** | **1 368** | **2** | **3 030** | **-** | **3** | **1 220** | **5 608** | **8** | **83 151** |
| **3. Policy support and coordination** | | | | | | | | | | | | | | | | | | | |
| 3.1. Policy support | - | - | - | - | - | 0 | 855 | 100 | - | 0 | - | 0 | - | - | 0 | | - | 0 | 855 |
| 3.2. Monitoring and evaluation and knowledge management | 1 059 | 78 | 265 | 19 | - | 0 | - | 0 | - | 0 | - | 0 | - | - | 0 | | 42 | 3 | 1 366 |
| 3.3. Project management | 5 530 | 67 | 1 382 | 12 | - | 0 | - | 0 | - | 0 | - | 0 | - | - | 0 | 627 | 1 164 | 21 | 8 703 |
| **Subtotal** | **6 589** | **70** | **1 647** | **18** | **-** | **0** | **855** | **8** | **-** | **0** | **-** | **0** | **-** | **-** | **0** | **627** | **1 206** | **4** | **10 923** |
| **Total** | **71 650** | **35** | **17 910** | **8** | **10 000** | **5** | **42 500** | **21** | **15 000** | **7** | **7 500** | **4** | **8 307** | **0** | **4** | **2 953** | **29 018** | **16** | **204 838** |

Table 2
**Project costs by expenditure category and financier**
(Thousands of United States dollars)

| | *IFAD PBAS SHC loan* | | *IFAD PBAS HC loan* | | *IFAD BRAM loan* | | *GCF DaIMA* | | *ARCAFIM loan* | | *GEF grant* | | *Beneficiaries* | | | *Government of Uganda* | | | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Expenditure category* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Cash* | *In-kind* | *%* | *Cash* | *In-kind* | *%* | *Amount* |
| **I. Investment costs** | | | | | | | | | | | | | | | | | | | |
| A. Works | 28 990 | 50 | 7 246 | 12 | - | 0 | 9 230 | 16 | - | 0 | 275 | 1 | 1 864 | - | 3 | - | 10 450 | 18 | 58 055 |
| B. Vehicles | 2 237 | 60 | 559 | 15 | - | 0 | - | 0 | - | 0 | - | 0 | 265 | - | 7 | 672 | - | 18 | 3 733 |
| C. Goods, services and inputs | 16 279 | 32 | 4 069 | 7 | 4 956 | 10 | 4 847 | 9 | - | 0 | 4 351 | 8 | 6 178 | - | 12 | 664 | 10 381 | 21 | 51 725 |
| D. Equipment and materials | 12 320 | 44 | 3 079 | 9 | 5 044 | 17 | 1 500 | 5 | - | 0 | 1 500 | 5 | - | - | 0 | - | 5 666 | 20 | 29 110 |
| E. Consultancies | 3 571 | 41 | 893 | 8 | - | 0 | 3 655 | 40 | - | 0 | 1 079 | 12 | - | - | 0 | - | - | 0 | 9 198 |
| F. Training and workshops | 3 289 | 31 | 822 | 6 | - | 0 | 4 268 | 38 | - | 0 | 295 | 3 | - | - | 0 | 1 617 | 884 | 22 | 11 175 |
| G. Grants and subsidies | - | - | - | - | - | 0 | 19 000 | 56 | 15 000 | 44 | - | 0 | - | - | 0 | - | - | 0 | 34 000 |
| **Total investment costs** | **66 686** | **34** | **16 667** | **8** | **10 000** | **5** | **42 500** | **22** | **15 000** | **8** | **7 500** | **4** | **8 307** | **-** | **4** | **2 953** | **27 381** | **15** | **196 995** |
| **II. Recurrent costs** | | | | | | | | | | | | | | | | | | | |
| A. Salaries and allowances | 4 152 | 66 | 1 039 | 13 | - | 0 | - | 0 | 0 | 0 | - | 0 | - | - | 0 | - | 1 413 | 21 | 6 605 |
| B. Operating costs | 812 | 66 | 203 | 16 | - | 0 | - | 0 | 0 | 0 | - | 0 | - | - | 0 | - | 223 | 18 | 1 238 |
| **Total recurrent costs** | **4 964** | **66** | **1 242** | **13** | **-** | **0** | **-** | **0** | **0** | **0** | **-** | **0** | **-** | **-** | **0** | **-** | **1 636** | **21** | **7 843** |
| **Total** | **71 650** | **35** | **17 910** | **8** | **10 000** | **5** | **42 500** | **21** | **15 000** | **7** | **7 500** | **4** | **8 307** | **-** | **4** | **2 953** | **29 018** | **16** | **204 838** |

Table 3
**Project costs by component and project year (PY)**
(Thousands of United States dollars)

| | *PY1* | | *PY2* | | *PY3* | | *PY4* | | *PY5* | | *PY6* | | *PY7* | | *PY8* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Component* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| 1. Increasing productivity and resilience and reducing the climate impact of production | 3 046 | 3 | 18 287 | 16 | 34 258 | 31 | 17 182 | 16 | 14 979 | 14 | 9 764 | 9 | 7 112 | 6 | 6 136 | 6 |
| 2. Enhancing access to markets for smallholder producers and investments in the value chain | 248 | 1 | 17 986 | 22 | 17 039 | 20 | 17 655 | 21 | 16 573 | 20 | 10 753 | 12 | 2 462 | 3 | 433 | 1 |
| 3. Policy support and coordination | 1 447 | 13 | 1 315 | 12 | 1 202 | 11 | 1 388 | 13 | 1 318 | 12 | 1 377 | 13 | 1 535 | 14 | 1 342 | 12 |
| **Total** | **4 740** | **2** | **37 588** | **18** | **52 499** | **26** | **36 225** | **18** | **32 871** | **16** | **21 894** | **11** | **11 109** | **5** | **7 911** | **4** |

**Financing and cofinancing strategy and plan**

32. ReLIV's total project cost is US$204.80 million, which will be disbursed over eight years. IFAD's contribution is composed of US$89.57 million from the performance-based allocation system (PBAS) allocation for Uganda for the Twelfth Replenishment of IFAD's Resources (IFAD12) and an already confirmed US$10.00 million from the Borrowed Resource Access Mechanism, for an overall total of US$99.57 million (48.6 per cent of total project costs).

33. The project will leverage financing from the GCF's regional DaIMA programme of US$42.50 million (20.7 per cent of the total allocation), of which 55 per cent is a grant and 45 per cent is a senior loan. Additionally, ARCAFIM (cofinanced by the Nordic Development Fund), the GCF, the Government of Finland, the Government of Denmark and IFAD supplementary resources will contribute US$15.00 million (7.3 per cent of project financing). The Government of Uganda's contribution of US$31.97 million will cover at least 15.6 per cent of total project costs in the form of in-kind and/or cash contributions. The GEF will contribute US$7.50 million, representing 3.7 per cent of the total allocation. Beneficiaries will contribute US$8.3 million to the project in cash or in kind, which represents 4.1 per cent of the total project cost.

34. **Plan B for cofinancing.** Financing of US$50 million from the GEF and the GCF has yet to be approved. Once approved, the financial management arrangements for the GEF and the GCF funds will be harmonized to follow IFAD's processes. Should these funds not be approved by 2026, the project will have a financing gap. To mitigate this risk and fill the gap, Uganda's allocation for IFAD13 would be used (its allocation was US$100 million under both IFAD11 and IFAD12).

**Disbursement**

35. The disbursement categories are: (i) works; (ii) vehicles; (iii) goods, services and inputs; (iv) equipment and materials; (v) consultancies; (vi) training and workshops; (vii) grants and subsidies; (viii) salaries and allowances; and (ix) operating costs, which are allocated across various cofinanciers. The overall project recurrent costs represent 4 per cent of the total project financing, while under IFAD financing they amount to 8 per cent, which is within acceptable limits. The funds from ARCAFIM will be disbursed directly through Equity Bank Uganda Limited. Funds from the GCF and the GEF will be managed by IFAD, based on the Fund's fiduciary risk management policies and procedures.

**Summary of benefits and economic analysis**

36. The financial analysis demonstrates the viability of the targeted activities. Furthermore, the economic analysis indicates that the project is economically viable, with an economic internal rate of return of 27.93 per cent and a net present value of US$164.94 million. ReLIV is sensitive to changes in certain variables within the models, including variations in benefits and costs, different lags in the realization of benefits and adoption rates, which emphasizes the importance of sustainable dairy value chain investments for project success.

**Exit strategy and sustainability**

37. ReLIV has incorporated exit and sustainability aspects in all key interventions. It will strengthen key government institutions responsible for the promotion of the dairy and beef value chains with capacity-building in animal breeding and identification, animal health, extension and delivery of technical support to farmers. These agencies will continue providing services beyond the project period. To ensure sustainability, ReLIV will be aligned with key national climate and environmental policies, including the National Environmental Management Policy, the National Climate Change Policy, updated Nationally Determined Contributions, the National Adaptation Plan, Land Degradation Neutrality, and the National Biodiversity Strategy and Action Plan.

# III. Risk management

## A. Risks and mitigation measures

38. The overall inherent and residual risks are classified as substantial. The main risks and corresponding mitigation measures are presented in the integrated project risk matrix (appendix III).

Table 4
**Overall risk summary**

| *Risk areas* | *Inherent risk rating* | *Residual risk rating* |
|---|---|---|
| Country context | Moderate | Moderate |
| Sector strategies and policies | Substantial | Substantial |
| Environment and climate context | Substantial | Substantial |
| Project scope | Moderate | Moderate |
| Institutional capacity for implementation and sustainability | Substantial | Substantial |
| Financial management | Substantial | Substantial |
| Project procurement | Moderate | Moderate |
| Environment, social and climate impact | Substantial | Substantial |
| Stakeholders | Moderate | Moderate |
| **Overall** | **Substantial** | **Substantial** |

## B. Environment and social category

39. ReLIV's environmental and social risk category is rated as substantial. Critical environmental and social risks in the dairy and beef value chains include land-use change, overgrazing, deforestation, severe land degradation, inadequate waste management, water and soil pollution, increased pesticide use, increased dependence on wood-intensive energy and water, and conflicts over resource use. Other concerns include biosafety and biosecurity risks associated with poor health management and hygiene, potential outbreaks of waterborne or other vector-borne diseases (including zoonotic diseases), nutritional deficiencies, poor working conditions, child labour and community health and safety issues.

## C. Climate risk classification

40. ReLIV's climate risk classification is substantial. Uganda's high vulnerability score and its low readiness score place it in the upper left quadrant of the Notre Dame Global Adaptation Initiative Country Index matrix. The country has both a high need for investment and innovation to improve preparedness, and a high urgency for action. As such, Uganda is ranked as the 14th most vulnerable and 163rd least prepared country, with particularly low scores on social factors that could increase the mobility of investments in adaptation actions. Additionally, ReLIV target areas are exposed to significant climate risks, including rising temperatures, erratic rainfall and extreme weather events such as dry spells, heat waves, drought, floods, mudslides and landslides.

## D. Debt sustainability

41. The International Monetary Fund-World Bank Debt Sustainability Analysis indicates that Uganda has a moderate risk of external and public debt distress, with limited space to absorb shocks. Public debt has increased in the country, reaching 50.6 per cent of GDP in fiscal year 2021/2022, and external public debt stands at 31.3 per cent. All external public and publicly guaranteed debt and total public debt burden trajectories remain below their indicative thresholds. Stress tests highlight breaches of external debt burden thresholds, posing risks such as slower growth, tightening of public sector borrowing conditions, delayed reforms and oil export. To increase debt sustainability, Uganda plans to replace debt-financed public spending with private-sector-led growth for sustainability.

# IV. Implementation

## A. Organizational framework

### Project management and coordination

42. The Ministry of Agriculture, Animal Industry and Fisheries is the lead implementing agency and will establish a project steering committee that will provide overall strategic direction and ensure coordination among sectors. MAAIF will also establish a project management unit (PMU), with competitively recruited/designated staff, to be responsible for coordinating the activities of the agencies involved in project implementation. The PMU will handle the core functions of coordinating overall project implementation. Additionally, the PMU will initiate partnerships and collaboration with other similar ongoing projects to ensure complementarity and mutual learning.

### Financial management, procurement and governance

43. **Financial management.** The PMU will follow IFAD procedures on financial reporting, internal controls and audits. It will also conduct project budgeting in accordance with IFAD procedures and public financial management regulations of the Government of Uganda. The annual workplan and budget will be prepared with sufficient detail showing activities by category, component and financier and will be approved by the project steering committee before receiving a no objection from IFAD. A budget submission calendar will be included in the IFAD financial management and financial control handbook for the borrower.

44. The disbursement mechanisms are advance withdrawal and direct payments. Direct payments will be allowed on an exceptional basis, after prior approval by the IFAD finance officer. Disbursements from IFAD will be made by way of an advance to designated accounts, with subsequent quarterly replenishments based on interim financial reports and cash forecasts aligned with the approved annual workplan and budget. Disbursement from IFAD will be based on quarterly interim financial reports submitted by the project within 30 days after the end of the reporting period, with a withdrawal application to be submitted through the IFAD Client Portal.

45. **Procurement.** ReLIV's inherent risk in the project procurement area is assessed as moderate. ReLIV will adhere to public procurement law and will be aligned with international standards and regulations that are consistent with IFAD Project Procurement Guidelines. Furthermore, IFAD's Online Project Procurement End-to-End System will be used to mitigate the potential risks associated with inappropriate use of non-competitive methods.

### Target group engagement and feedback

46. A stakeholder engagement plan (SEP) has been developed to guide the involvement and influence of stakeholders in the project. The SEP provides a framework for the involvement of stakeholders and will promote successful project implementation. The PMU will use the SEP mainly to garner stakeholder support for the beef and dairy sector. This support will facilitate implementation, as it is assumed that mobilization of these stakeholders will create an enabling environment for implementation of the various economic and livelihood-related activities. ReLIV will use the SEP to identify key stakeholders affected by the project and in a position to influence project activities.

### Grievance redress

47. In order to address any complaints that may arise in the course of project implementation, a grievance redress mechanism (GRM) has been established as part of stakeholder engagement. The GRM will address queries, offer an avenue for clarifications about the project, and respond to problems, complaints and grievances. To ensure that the GRM is well known and accessible to all project stakeholders, various communication tools will be adopted to disseminate

information about the mechanism and about how to register complaints and seek redress.

## B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. ReLIV will develop a robust monitoring and evaluation (M&E) system to underpin the key project development objective of enhancing income, nutrition and resilience of smallholder dairy and beef producers in Uganda. The system will be participatory, gender-sensitive and results-oriented, while enabling the integration of physical and financial progress reporting. In-depth baseline, midline and completion studies in line with the IFAD core outcome indicator framework will be incorporated.

**Innovation and scaling up**

49. ReLIV will include a number of innovations: (i) digitalization of the value chains; (ii) livestock farmer field schools to support the dissemination of innovations from researchers; (iii) introduction of the nucleus farm as an aggregation model and linking smallholder farmers to markets; and (iv) development of a geographical information system (GIS) module to measure vegetation coverage as part of impact assessment.

## C. Implementation plans

**Implementation readiness and start-up plans**

50. Government approvals for the project have been moving in parallel with IFAD's internal approvals. ReLIV is expected to enter into force during the second quarter of 2025. The start-up workshop is planned for July 2025. ReLIV will receive US$500,000 to use for recruitment and the setting up of the PMU.

**Supervision, midterm review and completion plans**

51. Supervision and implementation support missions will be organized and conducted jointly by IFAD and the Government to review progress and support the PMU and implementing partners in improving project implementation. A midterm review will be undertaken to assess whether ReLIV is on track to achieve its goal and development objectives. An endline assessment will be undertaken during the last year of the project.

# V. Legal instruments and authority

52. A financing agreement between the Republic of Uganda and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.

53. The Republic of Uganda is empowered under its laws to receive financing from IFAD.

54. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

# VI. Recommendation

55. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

> RESOLVED: that the Fund shall provide a loan on super highly concessional terms to the Republic of Uganda in an amount of seventy-one million, six hundred fifty thousand United States dollars (US$71,650,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.
>
> RESOLVED FURTHER: that the Fund shall provide a loan on highly concessional terms to the Republic of Uganda in an amount of seventeen

million, nine hundred and ten thousand United States dollars (US$17,910,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Republic of Uganda in an amount of ten million United States dollars (US$10,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

# Negotiated financing agreement
# Resilient Livestock Value Chain Project (ReLIV)

(Negotiations concluded on 19 July)

Loan No: __________

Project name: **Resilient Livestock Value Chain Project (ReLIV)**
("the **(ReLIV)**"/ "the Project")

**Republic of Uganda,** represented by Ministry of Finance, Planning and Economic Development (the "Borrower")

and

The **International Fund for Agricultural Development** (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

**WHEREAS** the Borrower has requested financing from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS** the Borrower has undertaken to provide counterpart contribution to the Project as specified herein;

**WHEREAS**, the Fund has agreed to provide financing for the Project.

**NOW THEREFORE**, the Parties hereby agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide:

   A. a loan on super highly concessional terms ("Loan A");

   B. a loan on highly concessional terms ("Loan B"); and

   C. a loan on ordinary terms ("Loan C"),

(together the "Financing") to the Borrower which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

**Section B**

1. The amount of:

A. Loan A is seventy-one million six hundred and fifty thousand United States dollars (USD 71,650,000);

B. Loan B is seventeen million nine hundred and ten thousand United States dollars (USD 17,910,000); and

C. Loan C is ten million United States dollars (USD 10,000,000).

2. In relation to Loan A:

(i) it shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of Loan A by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency;

(ii) it shall have a maturity period of fifty (50) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board; and

(iii) it will be repaid at two and a half per cent (2.5%) of the total principal per annum for years eleven (11) to fifty (50).

3. In relation to Loan B:

(i) it shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of Loan B by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency;

(ii) it shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of Loan C by the Fund's Executive Board; and

(iii) it will be repaid at two per cent (2%) of the total principal per annum for years eleven (11) to twenty (20), and four per cent (4%) of the total principal per annum for years twenty-one (21) to forty (40).

4. In relation to Loan C:

Loan C shall be subject to interest on the principal amount outstanding of Loan C at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty-nine (29) years, including a grace period of ten (10) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.

5. The Loan Service Payment Currency shall be in US dollars.

6. The first day of the applicable Fiscal Year shall be 1 July.

7. Payments of principal and service charge and/or interest, as the case may be, in respect of Loans A, B and C, shall be payable on 15 May and 15 November of each year.

8. There shall be Designated Accounts in USD, for the exclusive use of the Project, with corresponding local currency accounts in UGX, opened at the Bank of Uganda. The Borrower shall inform the Fund of the officials authorized to operate the Designated Accounts.

9. The Borrower shall provide counterpart contribution for the Project, in the value of an amount of [thirty-one million nine hundred and seventy thousand United States dollars (USD 31,970,000)] (in cash or in-kind as described in Schedule 1), or as may otherwise be agreed between the Parties.

**Section C**

1. The Lead Project Agency shall be the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). Other implementation agencies will be Dairy Development Authority (DDA) National Animal Genetic Resources Centre and Data Bank (NAGRC&DB) and National Agricultural Research Organisation (NARO), or such relevant successor entities as communicated.

2. A Mid-Term Review will be undertaken at mid-line to assess whether the project is on track to achieve its goal and development objectives.

3. The Project Completion Date shall be the eighth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate by notice to the Borrower.

4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance to the Borrower's Public Procurement Law, aligning with international standards and its associated regulations that are in line with IFAD Project Procurement Guidelines. Furthermore, IFAD's End-to-End procurement system will be employed to mitigate the potential risks associated with inappropriate use of non-competitive methods.

**Section D**

1. The Fund will administer the Financing and will supervise the Project jointly with the Government of Uganda represented by the Ministry of Finance, Planning and Economic Development.

**Section E**

1. The following are designated as additional grounds for suspension of this Agreement:

   (a) the PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional grounds for cancellation of this Agreement:

(a) in the event that the Borrower did not request a disbursement of the Financing for a period of twelve (12) consecutive months, without justification, subsequent to the first eighteen (18) months from the Effective Date.

3. The following are designated as additional (general/specific) conditions precedent to withdrawal:

(a) the IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained;

(b) The project co-ordinator/manager, the procurement manager, and the finance manager/financial controller (have been appointed/seconded, to the project management unit (PMU) with the prior no-objection of the Fund.

4. This Agreement is subject to approvals in accordance with the laws of the Republic of Uganda, and such evidence of approval(s) provided to the Fund.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Honourable Minister

Ministry of Finance Planning and Economic Development
Plot No. 2 – 8 Apollo Kaggwa Road

P.O Box 8147
Kampala

For the Fund:

The President

International Fund for Agricultural Development
Via Paolo di Dono 44

00142 Rome, Italy

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

THE REPUBLIC OF UGANDA

_______________________

Honourable Minister [Matia Kasaija]

Minister of Finance Planning and Economic Development

[Date:______________[1]]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

______________________

Alvaro Lario

President of IFAD

Date: ________________

[1] In case the FA is not signed in IFAD HQ

**Schedule 1**

*Project Description and Implementation Arrangements*

## I. Project Description

1. *Target Population*.

The project will target 200,000 households, comprising of smallholder dairy and beef farmers engaged in intensive and semi-intensive small-scale integrated production systems, as well as small and medium scale extensive agro-pastoral systems.

2. *Project area.*

*The Project will* work in 41 selected districts in the cattle corridor of the Republic of Uganda. The districts were selected based on the following: (i) high incidence and density of poverty, food insecurity, malnutrition; (ii) herd size by the households and potential for value chain development, including markets for animal sourced products; (iii) high potential for women and youth engagement; and (iv) climate vulnerability.

3. *Goal.*

*The goal of the Project* is to contribute to the improved livelihoods of smallholder livestock farmers in Uganda.

4. *Objectives.*

*The Development objective of the Project is* to enhance income, nutrition and resilience of smallholder dairy and beef producers through increased production, value additionand marketing.

5. *Components*. The Project shall consist of the following Components:

5.1 **Component 1:** Increasing productivity and resilience and reducing the impact of production on climate: will support the transformation of smallholder and grazing/pastoral production systems to improve their productivity, increase resilience to climate change and other constraints and shocks, lower their GHG emissions and enhance carbon sequestration in rangelands/pastures. Component one will aim to achieve four outputs: (i) Enhanced access to quality feed, fodder and water; (ii) Enhanced access to veterinary and animal health services, (iii) Enhanced access to breeding services and development of an animal identification system and (iv) Enhanced extension services and technical support to farmers.

5.2 **Component 2:** Enhancing access to markets for smallholder producers and investments in the value chain**:** Interventions under this component will focus on post-production level and the financial sector and are intended to foster collective action among smallholder beef and dairy farmers, broaden market opportunities for farmers, increase milk and beef value chain efficiency, increase investment at

different levels of the value chain, through better access to finance, promote green and sustainable solutions, and improve food safety as well as nutrition and reduce food loss and waste at various stages of the value chains. This Component will aim at achieving three outputs: (i) Aggregation of production and access to markets for smallholder producers improved, (ii) Quality, food safety and local consumption of livestock commodities strengthened, (iii) Access to financial products for value chain actors improved.

5.3 **Component 3:** Policy support and coordination- ReLIV will support the formulation, review/updating of sector policies, strategies and regulations, based on Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) demand. Uganda has initiated a process of establishing a National Agriculture Regulatory Authority, IFAD will follow developments on this process to determine any adjustments needed. ReLIV will

amplify the inclusion of all key stakeholders within the dairy and beef value chains through the creation of multi-stakeholder platforms. ReLIV will build on the

achievements of 50x2030 initiative in Uganda which supports countries to collect better and more reliable agricultural and rural data and assists them in using data for policy and in their decision-making processes.

## II. Implementation Arrangements

*6.* *Lead Project Agency*. MAAIF is the lead implementing agency and other implementing agencies as mentioned in Section C, paragraph 1 of the Agreement.

*7.* *Project Steering Committee*. MAAIF as the lead implementing agency will establisha Project Steering Committee (comprised of representatives, including *inter alia*, relevant ministries, agencies, and private sector organisations) that will provide overall strategic direction and ensure coordination among sectors.

*8.* Project Management Unit. MAAIF will establish a project management unit (PMU) with competitively recruited/seconded staff (in accordance with the Borrower's applicable laws relating to the employment in the public service), to be responsible for coordination of the agencies involved in implementation of the Project. The PMU will handle core functions of coordinating the overall implementation and implementing agencies focusing on financial management; procurement; monitoring, evaluation and learning, and overall reporting. It will also initiate partnerships and collaborations with other similar ongoing projects and ensure complementarities and mutual learning.

*9.* *Implementing agencies*.

Semi-autonomous institutions of MAAIF, i.e., DDA, NAGRIC and DB and NARO's NaLiRRI, plus Directorate of Animal Resources in MAAIF with Local Governments, will be implementing agencies. Private sector agencies may also be contracted to perform (implementation) functions where necessary.

*10.* *Monitoring and Evaluation*.

Monitoring and Evaluation (M&E) system for ReLIV will be developed by the PMU M&E unit with the assistance of IFAD Country Office within the first year of the project as a tool for effective project implementation management. The M&E

system will enable IFAD, MAAIF and the stakeholders to monitor Project’s internal performance.

*11. Knowledge Management*. The ReLIV KM function will be complemented by the M&E Management Information System (MIS, routine field M&E visits and thematic studies) on which quantitative and qualitative data will be assessed in order to primarily develop: (i) policy level KM Products (policy, briefs, case studies, and working papers); (ii) beneficiary success stories; (iii) training manuals on technologies; and (iv) lessons learned. The KM Officer will develop a comprehensive communication and knowledge management (C & KM) strategy that will provide for dissemination, visibility of project interventions, knowledge transfer, participation of key different stakeholders and direct project beneficiaries as a tool to develop a ReLIV specific KM action plan.

*12. Project Implementation Manual*. The Borrower shall finalise the PIM and forward it to the Fund for no objection within 90 days of entry into force. MAAIF, following confirmation from the Borrower, shall adopt the PIM, substantially in the form approved by the Fund, and MAAIF shall promptly provide copies thereof to the Fund.

The Borrower shall ensure that (i) the Project is carried out in accordance with the PIM; (ii) MAAIF informs the Borrower and the Fund of reasonably minor operational deviations from the PIM; and (iii) the PIM or any provision thereof shall not be amended, abrogated, waived or permitted to be amended, abrogated or waived, without the prior written consent of the Fund.

## Schedule 2

*Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

| **Categories** | **Loan A Allocated (Expressed in USD)** | **Loan B Allocated (Expressed in USD)** | **Loan C Allocated (Expressed in USD)** | **Percentage net of taxes** |
|---|---|---|---|---|
| 1.Civil Works | 27 540 000 | 6 880 000 | | 100% |
| II. Goods, Services and Inputs | 15 460 000 | 3 870 000 | 4 710 000 | 100% |
| III. Equipment and Materials | 13 830 000 | 3 460 000 | 4 790 000 | 100% |
| IV. Training and Workshops | 6 520 000 | 1 620 000 | | 100% |
| V. Operating Costs | 4 720 000 | 1 180 000 | | 100% |
| VI. Unallocated | 3 580 000 | 900 000 | 500 000 | |
| **Total** | **71 650 000** | **17 910 000** | **10 000 000** | |

[(b) The terms used in the Table above are defined as follows*:*

(i) Equipment and materials include vehicles acquired for the project.
(ii) Training and workshops include consultancies for the project.
(iii) Operating costs include salaries and allowances of project staff.
(iv) Unallocated category is intended to cater for unforeseen contingency costs that may arise during the project implementation period such as design/price variations, subject to the borrowers request and Fund's approval.

*2. Disbursement arrangements*

(a) *Start-up Costs*. Withdrawals in respect of expenditures for start-up costs in operating cost Category incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of five hundred thousand United States dollars (USD 500,000). Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

## Schedule 3

*Special Covenants*

### I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan/Grant Account if the Borrower has defaulted in the performance of any covenant setforth below, and the Fund has determined that such default has had, or is likely to have, amaterial adverse effect on the Project:

1. Within six (6) months of entry into force of the Financing Agreement, the Project willhave been set up in the integrated financial management system of the Borrower.

2. Within six (6) months of entry into force of the Financing Agreement, the Project willenter into formal arrangements with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

3. *Planning, Monitoring and Evaluation*. The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement

4. *Gender*. The Borrower shall ensure that the project will contribute to SDG5 (GenderEquality.)

6. *Anticorruption Measures*. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

7. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of theIFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation andAbuse, as may be amended from time to time.

8. Use of Project Vehicles and Other Equipment. The Borrower shall ensure that:

   (i) the types of vehicles and other equipment procured under the Project areappropriate to the needs of the Project; and

   (ii) all vehicles and other equipment transferred to or procured under the Projectare dedicated solely to Project use.

9. IFAD Client Portal (ICP) Contract Monitoring Tool**.** The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in theIFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the

contract data is updated on a quarterly basis during the implementation of the Project/Program.

10 The Key Project Personnel are: project co-ordinator/manager, financial controller/manager, and, procurement manager. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded or recruited in accordancewith the Borrower's applicable laws relating to employment in the public service. The recruitment or dismissal of Key Project Personnel is subject to IFAD's prior review and noobjection. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated Social, Environmental, Climate Assessment Procedures of IFAD (SECAP).

## II. SECAP Provisions

1. For projects/programmes presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordancewith the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

2. The Borrower shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) the Borrower has complied with the requirements applicable to the original adoption of the Management Plan(s).

3. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible placein the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Borrower shall ensure or cause the Implementing Agencies to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or toadjacent populations during Project implementation that, with respect to the relevant IFADProject:

(i) has direct or potential material adverse effect;

(ii) has substantially attracted material adverse attention of outside parties orcreate material adverse national press/media reports; or

(iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

(i) Notify IFAD promptly;

(ii) Provide information on such risks, impacts and accidents;

(iii) Consult with Project-affected parties on how to mitigate the risks and impacts;

(iv) Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements;

(v) Adjust, as appropriate, the Project-level grievance mechanism according to theSECAP requirements; and

(vi) Propose changes, including corrective measures to the Management Plan(s) (ifany), in accordance with the findings of such assessment and consultations, for approval by IFAD.

**Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the loan or within the Lead Agency and Implementing Agencies' activities in the Project.

Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or

(iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relationto severe threats to public health and safety, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or

(ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to giverise to material potential liabilities).

6. The Borrower shall ensure or cause the Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

(i) reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;

(ii) reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and

(iii) reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, andthe Financing Agreement, the Financing Agreement shall prevail.

# Logical framework

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | Responsibility | |
| **Outreach** | **1 Persons receiving services promoted or supported by the project** | | | | Programme reports | Annual | PMU M&E unit | Political stability<br><br>Marco-economic conditions remain stable or improve.<br><br>No major political shocks in the region<br><br>Strong PMU in place |
| | Males - Males | 0 | 48000 | 120000 | | | | |
| | Females - Females | 0 | 32000 | 80000 | | | | |
| | Young - Young people | 0 | 20000 | 50000 | | | | |
| | Total number of persons receiving services | 0 | 80000 | 200000 | | | | |
| | **1.b Estimated corresponding total number of households members** | | | | Programme reports | Annual | PMU M&E unit | |
| | Household members - Number of people | 0 | 300000 | 1000000 | | | | |
| | **1.a Corresponding number of households reached** | | | | Programme reports | Annual | PMU M&E unit | |
| | Households - Households | 0 | 80000 | 200000 | | | | |
| **Project Goal:** Contribute to the improved livelihoods of smallholder livestock farmers | **Percentage of rural households living below the poverty line in the project supported districts** | | | | UBOS/ COI surveys | Baseline, MTR and completion | PMU M&E unit | Economic policies continue to support the dairy and beef value chains for smallholder farmers<br><br>Implementing agencies reach the target groups<br><br>Local and international demand for dairy and milk continues to grow<br><br>Households have access to the required nutrient rich foods that they can purchase with resources earned from the project activities. |
| | Households - Percentage (%) | 21.5 | 20.4 | 19.2 | | | | |
| **Development Objective:** Enhance income, nutrition and resilience of smallholder dairy and beef producers | **Percentage increase in average HH income as a result of services provided** | | | | COI surveys | Baseline, MTR and completion | PMU M&E unit | |
| | Households - Percentage (%) | 0 | 30 | 50 | | | | |
| | **1.2.8 Women reporting minimum dietary diversity (MDDW)** | | | | COI Baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Women (%) - Percentage (%) | 0 | 15 | 50 | | | | |
| | Women (number) - Females | 0 | 12000 | 40000 | | | | |
| | Households (%) - Percentage (%) | 0 | 6 | 20 | | | | |
| | Households (number) - Households | 0 | 12000 | 40000 | | | | |
| | Household members - Number of people | 0 | 60000 | 200000 | | | | |
| | Women-headed households - Households | 0 | 3 | 10 | | | | |
| | **2.2.1 Persons with new jobs/employment opportunities** | | | | COI Baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Males - Males | 0 | 2000 | 6000 | | | | |
| | Females - Females | 0 | 1330 | 4000 | | | | |
| | Young - Young people | 0 | 830 | 2500 | | | | |
| | Total number of persons | 0 | 3330 | 10000 | | | | |
| **Outcome** 1: Increased productivity, resilience and reduced climate impact of smallholder beef and dairy production systems | **2.2.5 Rural producers' organizations reporting an increase in sales** | | | | COI surveys | Baseline, MTR and completion | PMU M&E unit | Project implementation reaches the targeted households and enables them to improve their dairy and beef productivity and household income. |
| | Percentage of rural POs - Percentage (%) | 0 | 20 | 50 | | | | |
| | Rural POs - livestock - Organizations | 0 | 240 | 600 | | | | |
| | **1.2.4 Households reporting an increase in production** | | | | COI Baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Total number of household members | 0 | 200000 | 600000 | | | | |
| | Households - Percentage (%) | 0 | 20 | 60 | | | | |
| | Households - Households | 0 | 40000 | 120000 | | | | |
| | **SF.2.1 Households satisfied with project-supported services** | | | | COI Baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Household members - Number of people | 0 | 400000 | 800000 | | | | |
| | Households (%) - Percentage (%) | 0 | 40 | 80 | | | | |
| | Households (number) - Households | 0 | 80000 | 160000 | | | | |
| | **3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered** | | | | Special study | Baseline, MTR and completion | PMU M&E unit | |
| | Hectares of land - Area (ha) | 0 | 15000 | 50000 | | | | |
| | tCO2e/20 years - Number | 0 | 11222915 | 32065470 | | | | |
| | tCO2e/ha - Number | 0 | 418500 | 1606547 | | | | |
| | tCO2e/ha/year - Number | 0 | 27.9 | 34.5 | | | | |

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | Responsibility | |
| **Output 1.1** Enhanced access to quality feed, fodder and water | **1.1.3 Rural producers accessing production inputs and/or technological packages** | | | | M&E Data Component reports | Quarterly | PMU M&E unit | Political will to support the roll out of the system.<br><br>Sufficient capacity (numbers and skills) of extension services to roll out the system.<br><br>Sufficient numbers of Community Animal Health Workers and para-veterinarians who will be skilled and equipped by the project to provide veterinary and breeding services to the project beneficiaries. |
| | Males - Males | 0 | 30000 | 60000 | | | | |
| | Females - Females | 0 | 20000 | 40000 | | | | |
| | Young - Young people | 0 | 12500 | 25000 | | | | |
| | Total rural producers - Number of people | 0 | 50000 | 100000 | | | | |
| **Output 1.2** Improved management and delivery of animal genetic resources (AnGR) | **Number of cattle covered by the Livestock Identification and Traceability System** | | | | LITS | Annually | PMU M&E unit | |
| | Number of cattle - Number | 0 | 875000 | 1750000 | | | | |
| **Output 1.3** Enhanced access to animal health services for resilient and low emission animals | **Number of farmers accessing veterinary and breeding services** | | | | M&E Data Component reports | Quarterly | PMU M&E unit | |
| | Total number of persons accessing services by the project | 0 | 40000 | 100000 | | | | |
| | Men - Number | 0 | 20000 | 50000 | | | | |
| | Women - Number | 0 | 16000 | 40000 | | | | |
| | Young - Number | 0 | 10000 | 25000 | | | | |
| | Households - Number | 0 | 200000 | 500000 | | | | |
| **Output 1.4** Enhanced capacity of farmers and extension services | **1.1.4 Persons trained in production practices and/or technologies** | | | | M&E Data/ Component reports | Quarterly | PMU M&E unit | |
| | Total number of persons trained by the project | 0 | 75000 | 100000 | | | | |
| | Men trained in livestock | 0 | 45000 | 60000 | | | | |
| | Women trained in livestock | 0 | 30000 | 40000 | | | | |
| | Young people trained in livestock | 0 | 18750 | 25000 | | | | |
| | Total persons trained in livestock - | 0 | 75000 | 100000 | | | | |
| **Outcome 2** Enhanced access to market for smallholder producers and access to finance | **2.2.6 Households reporting improved physical access to markets, processing and storage facilities** | | | | COI baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | Timely construction and rehabilitation of the market facilities, processing facilities and storage facilities.<br><br>Financial service providers effectively package the available products and are able to reach the households and avail the products. |
| | Households reporting improved physical access to markets - Percentage (%) | 0 | 30 | 60 | | | | |
| | Size of households - Number of people | 0 | 60000 | 120000 | | | | |
| | Number | 0 | 180000 | 360000 | | | | |
| | Households reporting improved physical access to processing facilities - (%) | 0 | 30 | 60 | | | | |
| | Households reporting improved physical access to storage facilities - Percentage (%) | 0 | 30 | 60 | | | | |
| | **1.2.5 Households reporting using rural financial services** | | | | COI baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Total number of household members | 0 | 113060 | 188435 | | | | |
| | Households - Percentage (%) | 0 | 11.3 | 18.8 | | | | |
| | Households - Households | 0 | 22612 | 37687 | | | | |
| | **3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices** | | | | Component reports/COI surveys | Annual | M&E officer | |
| | Total number of household members | | 250000 | 600000 | | | | |
| | Households - Percentage (%) | 0 | 25 | 60 | | | | |
| | Households - Households | | 50000 | 120000 | | | | |
| **Output 2.1** Enhanced aggregation of production and access to markets for smallholder producers | **2.1.3 Rural producers' organizations supported** | | | | M&E Data and Training reports | Quarterly | PMU M&E unit | Farmers are willing to form rural producer organizations through with they will access |
| | Total size of POs - Organizations | 0 | 17000 | 34000 | | | | |
| | Rural POs supported - Organizations | 0 | 170 | 340 | | | | |
| | Males - Males | 0 | 10200 | 20400 | | | | |

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|
| | **Name** | **Baseline** | **Mid-Term** | **End Target** | **Source** | **Frequency** | **Responsibility** | |
| | Females - Females | 0 | 6800 | 13600 | | | | inputs and market their dairy and beef products. |
| | Young - Young people | 0 | 4250 | 8500 | | | | |
| **Output 2.2** Improved awareness on nutrition | **1.1.8 Households provided with targeted support to improve their nutrition** | | | | M&E Data and Training reports | Quarterly | PMU M&E unit | |
| | Total persons participating - Number of people | 0 | 125000 | 250000 | | | | |
| | Males - Males | 0 | 75000 | 150000 | | | | |
| | Females - Females | 0 | 50000 | 100000 | | | | |
| | Households - Households | 0 | 25000 | 50000 | | | | |
| | Household members benefitted | 0 | 125000 | 250000 | | | | |
| | Young - Young people | 0 | 31250 | 62500 | | | | |
| **Output 2.3** Improved access to finance | **1.1.5 Persons in rural areas accessing financial services** | | | | Component reports/ Groups reports | Semi-annual | PMU M&E unit | Farmers have support to access financial services |
| | Women in rural areas accessing financial services - savings - Females | 0 | 2621 | 4368 | | | | |
| | Young people in rural areas accessing financial services - savings - Young people | 0 | 1638 | 2730 | | | | |
| | Men in rural areas accessing financial services - savings - Males | | 3275 | 5459 | | | | |
| | Men in rural areas accessing financial services - credit - Males | 0 | 3275 | 5459 | | | | |
| | Women in rural areas accessing financial services - credit - Females | 0 | 2621 | 4368 | | | | |
| | Young people in rural areas accessing financial services - credit - Young people | 0 | 1638 | 2730 | | | | |
| | Total persons accessing financial services - savings - Number of people | 0 | 5896 | 9827 | | | | |
| | Total persons accessing financial services - credit - Number of people | 0 | 5896 | 9827 | | | | |
| **Outcome**<br>3 Strengthened policy and regulatory environment | **Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment** | | | | Stakeholder platforms | Annually | PMU M&E unit | GoU willingness to have conducive regulatory framework for dairy and beef sectors |
| | Number - Number | 0 | 1 | 2 | | | | |
| | **SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers** | | | | COI baseline, mid-term and Completion survey | Baseline, MTR and completion | PMU M&E unit | |
| | Household members - Number of people | 0 | 100000 | 400000 | | | | |
| | Households (%) - Percentage (%) | 0 | 10 | 40 | | | | |
| | Households (number) - Households | 0 | 20000 | 80000 | | | | |
| **Output**<br>3.1 Formulation, review and update of national policies, strategies and legislations supported | **Policy 1 Policy-relevant knowledge products completed** | | | | Knowledge products | Annually | PMU M&E unit | GoU interest in revisiting the legislative framework |
| | Number - Knowledge Products | 0 | 2 | 5 | | | | |

# Integrated project risk matrix

| Risk categories and subcategories | Inherent | Residual |
|---|---|---|
| **Country Context** | **Moderate** | **Moderate** |
| **Fragility and Security** | **Substantial** | **Substantial** |
| Risk(s): Since the end of the conflict with the Lord Resistance Army in Northern Uganda around 20 years ago, Uganda has been a generally peaceful country, despite recurrent political turmoil at the occasion of general elections, despite two major remaining hotspots:<br>- Ugandan troops are involved military action against the Allied Democratic Forces (ADF) in North Kivu and Ituri provinces of eastern DRC, near to parts of the Ugandan border, on 30 November 2021. Ugandan troops are present on both sides of the border as part of the joint operations.<br>- The Karamoja region remains subject to cross border raids of armed cattle rustlers that lead to intercommunal violence and some military interventions. Project investments in this area could lead to an increase of conflict between the tribes. | Substantial | Substantial |
| Mitigations: RELIV will help mitigate the risk of increased conflict and promote a more harmonious environment for the communities, tribes, and surrounding countries involved in the cattle corridor area and in particular in Karamoja by<br>1. Work with local authorities and law enforcement agencies to enhance security in the area, especially in regions susceptible to cattle raiding. This may include increasing patrols, setting up community watch groups, and improving communication networks.<br>2. Implement better livestock management practices, including livestock identification and traceability systems, using tamper proof identification devices, to deter theft and promote responsible animal ownership<br>3. Build the capacity of local institutions and organizations to effectively manage conflicts and address the challenges that may arise from the increased number of animals in the region.<br>4. Monitoring and Evaluation: Implement a robust monitoring and evaluation system to assess the impact of the project on conflict dynamics and take corrective actions if necessary. | | |
| **Macroeconomic** | **Moderate** | **Moderate** |
| Risk(s): The WB/IMF assessment of Uganda's debt sustainability analysis indicates a moderate risk of external and overall public debt distress, with limited space to absorb shocks. The current debt-carrying capacity is classified as "medium". The economy is recovering from external shocks induced by the war in Russia's invasion of Ukraine and higher inflation, and the outlook has improved. Given the implementation of fiscal consolidation, Uganda's public debt continues to be sustainable in the medium term. Key risks include slower growth environmental shocks, further tightening of global financial conditions, delayed reform implementation, further delays in oil exports, and possible spillovers to trade stemming from the conflict in Sudan. The Ukraine war and post-Covid-19 effects will further limit agricultural input supply and deter foreign investors. With 70% of Uganda's workforce in agriculture, the sector is vital for the economy. Due to the Russian-Ukraine war, alternative sources of quality fertilizers are necessary. The conflict may limit access to fertilizers, leading to poor yields and increased food insecurity.<br>However, Uganda's GDP growth was 5.3% during the first quarter of the year, supported by a robust growth of the agriculture sector, despite volatile weather conditions. The GDP is expected to further increase this year (6%) thanks to an increase of private investments combined with employment growth and a higher domestic demand, and potentially reach 6.6% in 2026, mainly driven by investments in the oil sector. | Moderate | Moderate |

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| Macroeconomic shock may affect the project beneficiaries directly by reducing market demand, increasing costs of inputs, and credit. | | |
| Mitigations: Ahead of a possible transition into an oil producer in 2025, the Ugandan economy needs to structurally transform and shift labor into more productive employment to reinvigorate economic activity and reduce poverty.<br>The private sector must drive this transformation and diversification, which depend on macroeconomic stability, more efficient and effective public spending, increased government support for the most vulnerable, and the uptake of digital and other innovative technologies.<br>RELIV will contribute to this change and sustain these efforts oriented to the transformation of subsistence livestock farmers towards more market-oriented systems, by supporting their resilience to shocks, improving their participation in the economy and decision making through organization in groups and cooperatives, hereby enhancing participation of women and youth. The project will also support private investment in the sector especially for SMEs and smallholder producers and can capitalize on the positive contributions of the recently-closed PROFIRA in terms of access facilitation to finance. Digitalization will improve the sector overall efficiency. ReLIV will support the Government of Uganda to prioritize import replacement in 2023 by domestically producing fertilizers and other essential raw materials previously imported from Ukraine or Russia. | | |
| **Governance** | **Moderate** | **Moderate** |
| Risk(s): In 2022, the Transparency International's Country Corruption Perception Index assessed Uganda at a substantial risk level of risk in terms of corruption (26 points in 2022, showing a decrease of 1 point compared to 2021), which places the country in 142nd position out of 180 countries. The World Bank 2021 Country Policy and Institutional Assessment (CPIA) rates Uganda as moderately unsatisfactory policy reformer with a score of 3.6 (no change compared to previous year). The country shows weaknesses in the Public Sector Management and Institutions (Quality of Public Administration (scored 3) and Transparency (scored 2.5).<br>The policy and regulatory framework for the livestock sector presents the following gaps and risks:<br>• Lack of policy frameworks on dairy and beef sector (Livestock policy currently in draft; Animal Health Act is being reviewed; Dairy strategy still under development). These policy gaps may affect project implementation because of lack of policy directions and related investment efforts or policy incentives from Government.<br>• The country shows lack of or weak enforcement of sector policies, rules and legislation. The low enforcement of regulations on raw milk for instance leads to the persistence of the informal market for raw milk (60% of volumes), and meat, which creates an unfair competition for the formal sector including the cooperatives, that the project will support in priority.<br>• The regional geopolitical volatility, due to fluctuating bilateral relations with other countries in the region; may impact regional trade for milk, feed, inputs, as illustrated by recent closure of Kenyan market for milk. This may also impact project beneficiaries as illustrated by the situation of brookside dairies that recently had to stop exporting products to Kenya, and thus also reduced milk collection from farmers. | Moderate | Moderate |
| Mitigations: In an attempt to combat against corruption, the Government of Uganda created new institutions at both the local and national level. The 2019 Zero Tolerance to Corruption Policy tries to curb corruption in its various facets. To effectively deliver the outcomes of Zero Tolerance to Corruption Policy, a comprehensive five-year plan of action, the National Anti-Corruption Strategy (NACS) has been developed. This Sixth cycle of the NACS covering the period provides programme direction and guide to anti-corruption agencies, Ministries, Departments, Agencies and Local Governments (MDALGs), Private Sector and other stakeholders to effectively respond to incidences of corruption within their sectors. | | |

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| To support the livestock sector policies and strategies, RELIV will provide support in revising, enhancing, and completing national policies, strategies, and legislations related to the dairy sector.<br>Additionally, to address the issue of competition from unformal sector, RELIV will actively involve raw milk traders in the stakeholder platform's activities, in order to support their integration in the formal sector and enhance their collaboration with cooperatives. | | |
| **Political Commitment** | **Moderate** | **Moderate** |
| Risk(s): Since the end of the conflict in Northern Uganda in the 2,000s, the country as a whole has enjoyed political stability that has supported the successful implementation of development programmes. At the same time the improvements in overall policy environment, with a stronger private sector emphasis, have enhanced economic development opportunities in the dairy and beef sectors and areas leading to increased chances of improved future equality and social stability. However, currently the risk that election related violence (next elections will be in 2026) could result in bouts of opposition-led protests, halt implementation and/or cause reversal to the gains made in the projects, remains substantial.<br>Also, The United Nations' human rights office has been forced to close its country office at the beginning of August, following the government decision not to renew the host agreement considering government's own "commitment to the protection and promotion of human rights" and the existence of "strong national human rights institutions and a vibrant civil society". Nevertheless, there are raising concerns for an increasing hostile environment for civil society actors, journalists, human rights defenders that may spark protests across the country and may lead to an unconducive climate to free and fair elections in 2026.<br>Political violence could affect project implementation if they last long. However, they may be restricted to urban centers and could spare project intervention areas. | Moderate | Moderate |
| Mitigations: IFAD's proactive approach involves actively engaging with a wide range of stakeholders, spanning various ministries and institutions. This engagement encompasses individuals at all levels, from high-ranking officers to technical specialists. This will ensure no disruption during project implementation.<br>As we get closer to the elections, ICO will closely follow up with the developments on the ground, until elections are complete. RELIV demonstrates a strong alignment with the National Development Plan (NDP), ensuring that even in the event of a government change as a result of the 2026 elections, the project will maintain its relevance, firmly positioned atop the NDP priorities. | | |
| **Sector Strategies and Policies** | **Substantial** | **Substantial** |
| **Policy Development and Implementation** | **Substantial** | **Substantial** |
| Risk(s): The livestock sector is equipped with a wide arsenal of policies, strategies for the livestock sector but there are some gaps in terms of sector specific policy and strategic frameworks (e.g. no dairy strategy or plan), and several sector policies/strategies are outdated & need revision. These gaps could affect project implementation as they may not provide an optimal policy environment for achievement of project outcomes. Technical teams in charge of policy development in MAAIF have expressed the need for support for policy formulation, including in terms of expertise and facilitation of consultation with stakeholders. The risk of non adoption of policy frameworks developed with the support of the project cannot be ignored, as illustrated by the number of draft policies supported by development partners and not adopted; this situation is often caused by an excessively exogenous policy process and lack of ownership of authorities that have the mandate for policy development. | Substantial | Substantial |
| Mitigations: The risk of low ownership and no adoption of draft policies formulated with the support of the project can be mitigated by giving the | | |

| | | |
|---|---|---|
| authorities in charge of policy making (Ministry, but also parliament) a central role in the process<br>Government has initiated a process of establishing a National Agriculture Regulatory Authority. This will address some of the current gaps in the policy and regulatory framework during project implementation.<br>ReLIV includes a specific outcome on policy which will include multi-stakeholders platforms including Government as well as key stakeholders as well as private sector actors and development partners such as SNV, EU, Heifer International and others to ensure that there platforms can have a wider impact on the policy developments at Country level. | | |
| **Policy alignment** | **Moderate** | **Moderate** |
| Risk(s): Overall, Uganda's country's strategies and policies governing the rural and agricultural sector are aligned with IFAD priorities, focusing on transforming subsistence smallholder farmers to commercial agriculture. The project is fully aligned and will contribute the National Development Plan III, mostly through the Agro-Industrialisation Programme (AGI), one of the 18 NDP III programmes, whose goal is to increase commercialization and competitiveness of agricultural production and agro-processing. Dairy and beef are among the key sector priorities in the Agro-Industrialisation programme but also in the Agricultural Value Chain Development Strategy. Livestock has been considered as a priority sector in Uganda, including at the highest level of state, and has received a lot of political attention, but also benefitted from public investments and policy incentives such as tax exemptions that have boosted private investments. The risk of policy divergence on sector priorities can thus be considered as minimal.<br>Government policies in the agriculture sector can be considered as pro-poor, gender and youth sensitive and aligned with the IFAD priorities. There is however a slight risk of divergence in terms of targeting priorities since some regions production systems (ranches) that are considered as priorities by Government of Uganda for livestock development are those with larger farm holdings that do not correspond to IFAD target group and COSOP priorities. However, targeted regions where poor livestock farmers are predominant (East, North which are targeted in the COSOP) are also within Government priorities for Livestock Development. Finally, another policy risk is the lack of political will of the Government of Uganda to support pastoral communities and systems, because of implications related to conflicts for natural resources and spread of diseases; in pastoral areas, the project will thus have to focus on activities that contribute to mitigate these problems (community-based management systems, disease surveillance and control). | Moderate | Moderate |
| Mitigations: IFAD participates in Agriculture Donor Group and discussion for a with the Government, which will allow the ICO to identify possible changes in the Government support to the Livestock sector, although this is very unlikely under the current Government. In order to avoid elite capture due to inclusion of Districts/regions with predominant large-holder systems, the project will stick on COSOP geographical targeting. | | |
| **Environment and Climate Context** | **Substantial** | **Substantial** |
| **Project vulnerability to climate change impacts** | **Substantial** | **Substantial** |
| Risk(s): Uganda's cattle corridor is highly vulnerable to climate variability and climate change as well as extreme weather events. These include prolonged dry spells and droughts, and unpredictable rainfall patterns. The resultant impacts on smallholder livestock systems include water scarcity, limited fodder and pasture for animals, and heat stress, leading to low productivity. This has a negative impact on food and nutrition security. The livestock sector is also a key contributor to greenhouse gas emissions (GHGs) due to poor feeding, quality of fodder/pasture, manure management, poor breeds and inappropriate herd management practices. | Substantial | Substantial |

| | | |
|---|---|---|
| Mitigations: Climate adaptation and resilience building among livestock smallholders will be enhanced through the establishment of drought tolerant fodder and pasture varieties, fodder conservation (silage and hay making), water harvesting, and improved and resilient livestock breeds. Ongoing initiatives on provision of climate and weather information and insurance to farmers will be explored and synergies built with respective agencies where relevant. The project will invest in manure management, improved quality of feed, and renewable energy alternatives as means to reduce greenhouse gas emissions. RELIV will leverage on additional resources from the Green Climate Fund through PADNET, ARCAFIM, Uganda Development Bank's Climate Facility and the Global Environment Facility (GEF 8) to enhance its climate adaptation and mitigation ambition as well as access to climate finance for farmers and value chain actors. The project will undertake a carbon analysis using the FAO GLEAM tool. | | |
| **Project vulnerability to environmental conditions** | **Substantial** | **Substantial** |
| Risk(s): Land degradation is a serious challenge along the cattle corridor of Uganda and manifests in the form of rampant deforestation to expand land under agriculture and charcoal burning. Population growth is a key driver of land degradation. Other forms of environmental degradation include unsustainable farming practices that lead to water pollution and soil erosion. Natural resource use conflicts are witnessed in the North-Eastern part of the cattle corridor due to diminishing water sources and low quality/quantity of pasture, as well as the land tenure systems in place. Pests and disease outbreaks resulting from climate change contribute to reduced livestock productivity. The share of exotic breeds keeps increasing, but their resilience to climate change and climate-related diseases is low. Biosafety as a result of poor hygiene, use of personal protective equipment and waste management poses environmental risks, e.g., in abattoirs and labs. Animal welfare and animal rights issues are poorly addressed. | Substantial | Substantial |
| Mitigations: The project will promote integrated natural resource management interventions such as fodder agroforestry trees, grasses to control soil erosion, rain water harvesting, sustainable fodder and pasture management, manure management, circular waste management approaches, improved and well adapted breeds, and one health approach to disease management as well as improved disease surveillance and response mechanisms, promotion of biosafety measures such as PPEs and sustainable waste disposal and management . The project will also support value chain actors such as private sector players to develop/strengthen their environmental and social management systems (ESMS). IFAD's SECAP procedures will be applied to enhance animal welfare and rights along the value chain. | | |
| **Project Scope** | **Moderate** | **Moderate** |
| **Technical Soundness** | **Moderate** | **Moderate** |
| Risk(s): The project is not more complex than other livestock projects under implementation or design in the region, while on the other hand technical and management capacities of Government agencies that will be in charge of implementation are in general good in Uganda. There are also a good number of lessons and pilots from other development agencies (in particular SNV for dairy and from the EU beef project for beef), on which the project can build on and that can be upscaled with minimal risks (low hanging fruits). These include for instance the quality-based payment system for milk, the smallholder aggregation model for beef, and the livestock traceability and identification system. The livestock sector, especially dairy, is also already very well established in the Country, with successful business models (such as existing productive alliances established with or without project support) that can easily be upscaled and replicated from one region to another. | Moderate | Moderate |

| | | |
|---|---|---|
| Mitigations: The project should rely on Government agencies with proven implementation capacities (DDA, NAGRC, NARO) for its implementation. Involving implementing partners with good experience in the Uganda Livestock sector (such as SNV), will also ensure availability of adequate expertise and mitigate this risk. | | |
| **Project Relevance** | **Moderate** | **Moderate** |
| Risk(s): The objectives and interventions of the project are well aligned with national priorities, defined in NDP III and AGI, in terms of sector priorities, and with the issues of the target groups to be addressed.<br>The main risk in terms of divergence between national priorities and project proposed support will be the nature of activities and the balance between infrastructure and equipment on the one hand ("hard"), and capacity building and institutional support ("soft") on the other hand. The Government of Uganda would like to use IFAD funds mostly for investments because they are in the form of loans. However, it is obvious that capacity building both for farmers and for other value chain actors is also needed, if only for ensuring proper management and sustainability of infrastructure and equipment. The project will thus need to find some solutions to keep a balance between "hard" and "soft" investment, which is acceptable to the Government of Uganda, and not detrimental to the achievement of project outcomes.<br>Land tenure: the dairy and beef sectors are highly dependent on secure land tenure and/or access to land. In Uganda tenure security varies deeply depending on the type of land and on the type of tenure (Freehold, Leasehold, Mailo or Customary). Many small-scale farmers, especially women and youth, work on land that they do not own, exacerbating their poverty, lack of political power and equal recognition of basic rights | Moderate | Moderate |
| Mitigations: The main mitigation measure will consist in leveraging other sources of financing such as the GCF PADNET, but also possibly other development partners including bilateral donors, to co-finance the needed capacity building activities. This prospection of potential partners and cofinanciers will take place between the PCN and design mission.<br>Tenure considerations will be embedded in RELIV to help identify tenure implications for the dairy and livestock production systems to be targeted. RELIV will ensure the identification of fit for purpose, flexible land tenure related interventions that can help mitigate risks for climate smart investments in the dairy and livestock sectors and increase sustainability of results. | | |
| Risk(s): The risk that the project might not benefit vulnerable groups or there are discrimination against any of those vulnerable groups. | Moderate | Moderate |
| Mitigations: ReLIV will be inclusive and build on the principles on leaving no one behind, following the SECAP 2021 guidelines for non-discrimination and using the Grievance and Redress Mechanism as means of reporting cases of discrimination against Lany vulnerable groups. The mitigation measure will include monitoring any complaints received under the grievance and redress mechanisms within the project which will then be reported to the ICO for assessment and possible action. | | |
| **Institutional Capacity for Implementation and Sustainability** | **Substantial** | **Substantial** |
| **Monitoring and Evaluation Arrangements** | **Substantial** | **Substantial** |
| Risk(s): The current M&E system in use by the PRELNOR project under implementation shows weaknesses in terms of data gathering, update, completeness and analysis. The same risk may be faced by RELIV. | Substantial | Substantial |
| Mitigations: To mitigate the risk<br>• Dedicated M&E staff will be in charge of developing a robust and easy to update/track M&E system to be aligned with the IFAD's Operational Results Management System (ORMS). S/he will also ensure the data base including the project results management framework is constantly updated and is clean. | | |

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| • Seasonal outcome surveys will be planned, and final outcome survey report should be finalized and produced.<br>• The M&E system for RELIV will include both IFAD's core outcome indicators for the different levels of the milk value chain, as well as project specific output indicators;<br>Baseline studies on nutrition and to capture gender disaggregated data on project indicators will be conducted at design stage, to ensure continuous capture of disaggregated data in project implementation.<br>To build the capacities of the M&E team, staff development plans will be prepared during the first year of implementation to ensure that all staff are capacitated to perform their job in the most effective and efficient manner | | |
| **Implementation Arrangements** | **Substantial** | **Substantial** |
| Risk(s): There is a potential risk of overlap between the different public institutions involved in implementation of RELIV (NARO, NAGRC&DB, DDA), and concrete risk of lack of inadequate staffing and resources, which may result in activities delays (see Annex 3 – Table 2). There is also a risk of overlap and uncoordinated interventions among the different Development Partners currently operating in the livestock sector (USAID, SNV, EU, Heifer,). However, this risk will be minimal when RELIV starts as the main DPs currently involved in the sector are either winding up (EU) or considered to become implementing partner of the project (SNV).<br>There is also a risk related to the upcoming reform of public agencies in the Agriculture sector, which could result in the merging of agencies, including some considered as key implementers of this project (DDA).<br>There is also a risk related to the unsustainable management models of some public infrastructures and equipment that the Government of Uganda wants the project to strengthen, for instance Government farms and stations. These infrastructures sometimes provide services of private nature (e.g. feed) but do not have cost recovery mechanisms in place to ensure the sustainability of the systems that entirely rely on donor and public support.<br>Finally, there is also a risk of limited Capacity of Rural Financial Institutions: those with stronger capabilities, such as commercial banks, microfinance institutions, and fintechs, have inadequate coverage in the project areas. Instead, the predominant lower-tier FIs operating in rural areas are savings and cooperative societies (SACCOs) and village savings and loan associations (VSLAs). However, many lower-tier FIs suffer from weak governance structures and financial and operational weaknesses. Consequently, the proposed technical assistance (TA) for product development could take longer to create an impact due to the capacity gaps of the FIs. Additionally, their limited capacity may hinder access to climate finance wholesale funds available through windows such as ARCAFIM, thereby reducing the project's effectiveness in improving access to finance for smallholder livestock farmers and agribusinesses. | Substantial | Substantial |
| Mitigations: The Project Management Unit will coordinate activities implemented by all the implementing partners (including NARO, NAGRC&DB, and DDA) and ensure that they are in line with the mandates of the respective institutions and complementary. The MoU to be signed with each of the implementing agencies will specify the different roles of each agency, under this project.<br>In case public agencies playing a key role in project implementation are merged with others (being implementing partners or not), the MoU will be amended and will ensure that the project focal points in the agency have the required experience and responsibilities to ensure coordination of project activities by their agency.<br>As far as sustainability of public investments is concerned, the project will only invest in infrastructure and equipment for which a sustainable business model is envisaged (e.g. PPP) or for which there is a formal commitment of the Government of Uganda to provide operational budget after project closure. | | |

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| To mitigate the risk related to capacities of PFIs, RELIV will ensure adherence to strict selection criteria for beneficiary PFIs that demonstrate adequate financial, operational and governance capacity to meaningfully utilise the product development support and meet wholesale lenders' eligibility criteria. Additionally, the TA providers shall guide and support selected partner institutions in navigating the application and compliance processes to align PFIs with climate finance eligibility criteria.<br>Efforts had been made by the Government of Uganda through the development of the Uganda Vision 2040, a 30 year Vision committed to improve, between other things, the country institutions, with a strong focus on the agriculture and livestock sectors.<br>RELIV will build on that Vision and support the achievement of its goals, by early defining institutional arrangements with the main partners, taking into account lessons learned from past projects in the Country. | | |
| **Project Financial Management** | **Substantial** | **Substantial** |
| **Project External Audit** | **Substantial** | **Substantial** |
| Risk(s): There is a risks of inadequate audit coverage of the project audit considering there are various implementing agencies situated in a broad geographic location across the country. There is also the possibility that some high-risk expenditure categories may not be covered during audits. | Substantial | Substantial |
| Mitigations: The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive project funds and cover all the major risk areas and adequate coverage as per coverage plan. IFAD finance Office would share the IFAD audit terms of reference with the external auditors in advance to ensure all key elements are included in the audit TOR of the OAG. The details of audit requirements as stipulated in the IFAD Financial Management and Financial Control (FMFCL) Handbook would be shared with project finance staff and external auditors. | | |
| **Project Accounting and Financial Reporting** | **Substantial** | **Substantial** |
| Risk(s): There is a risk of delays in consolidation of project financial reports at PMU which will be preparing consolidated financial reports for the project and inaccurate financial reporting due to the complex nature of the project which has multiple financiers, categories, and components. There is the risk of delays in receiving reports and support documentation from the implementing agencies and semi-autonomous government departments. There are also possibility of delays and inaccuracies in financial reporting due to improper coding of transactions and the multiple currencies that may be involved. | Substantial | Substantial |
| Mitigations: To mitigate on risks on financial reporting IFMIS will be enhanced to have analysis code for reporting on component, categories, financiers, for reporting quarter, cumulative for the year and cumulative since start of the project. The project finance team would prepare a reporting calendar and train the accounting staff in the implementing agencies and government department on IFAD processes and expected reporting timeliness. The project would prepare quarterly interim financial reports (IFRs) and annual financial statements. | | |
| **Project Internal Controls** | **Substantial** | **Substantial** |
| Risk(s): There may be a risk that appropriate controls over Programme funds are not in place, leading to the inefficient or inappropriate use of Project resources. There is also the risk that where controls exist, they are not enforced strictly or are circumvented by staff by staff charged to keep the controls. | Substantial | Substantial |
| Mitigations: Internal controls have been instituted in the whole framework of financial and administrative procedures. The identified controls range from; proper record keeping and posting, authorization of accounting, procurement and administrative documents, physical security of assets, double signing (approval) arrangements, to financial reporting and | | |

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| monitoring. There will be internal audit function to check overall compliance to internal controls and provide support towards improving systems, procedures, and processes. The control environment will be monitored using both internal and external audit and oversight. | | |
| **Project Funds Flow/Disbursement Arrangements** | **Substantial** | **Substantial** |
| Risk(s): There is a risk of commingling of funds at the entity which will be provided with advances for implementation of project activities. These includes Ministry of Finance which will receive advances from IFAD, MAAIF and implementing agencies (semi-autonomous entities and participating districts). Also, in addition to external development partners financing, there are Counterpart finances expected to be received from the Government and in-kind contributions from the beneficiaries. | Substantial | Substantial |
| Mitigations: To mitigate on risks of commingled funds and ease of accounting of any advance provided, funds will be held in Project dedicated accounts at the Central Bank of Uganda for which there will be monthly bank accounts reconciliation and financial reports. All partnering institutions that will receive project funds will have sub-project accounts for segregating the funds received. There will be monthly financial reports to PMU for monitoring operations of sub-accounts and consolidation. All partnering institutions will sign MoUs clearly highlighting the requirements for a separate bank account and financial reporting requirements. | | |
| **Project Budgeting** | **Substantial** | **Substantial** |
| Risk(s): The project has multiple financiers namely IFAD, GCF, GEF, Government and Beneficiaries contribution. There is a risk of co-mingling of funds in budgeting and expenditure allocations to these multiple financiers.<br>There may also be a risk that annual work plans and budgets are not prepared or revised on a timely basis, and not executed in a coherent manner, resulting in funds not being available when needed, ineligible costs and reallocation of Project funds and slow implementation progress. According to the public financial management laws in Uganda, annual programme budgets of donor projects are required to be approved into the national budget every year following a strict calendar. There is the risk the project may not submit annual work planning and budget on time due to long administrative procedures. | Substantial | Substantial |
| Mitigations: The Cost-tables and PIM have adequate details on key activities to be implemented and sources of finances for these costs. Subsequently, the AWPB will be prepared with adequate details on financing for key activities to ensure adequate guidance to the accounting team in recording and summarizing transactions. The IFAD AWPB budget template is sufficiently detailed budget by category, component, and financiers.<br>The PMU will coordinate the budget preparation processes by preparing a budget calendar that strictly follows the national budget timely lines and key deliverables. Budget monitoring will be carried out quarterly, semi-annually, and annually and any significant deviations discussed within the PMU and project steering committee for remedial actions. Approved budget will be codified in the IFMIS system for ease of monitoring and control of expenditures during the year. | | |
| **Project Organization and Staffing** | **Moderate** | **Moderate** |
| Risk(s): There are various administrative levels of implementation of the project namely the PMU, semi-autonomous government implementing agencies and participating districts which will have fiduciary responsibilities. Previous IFAD funded projects implemented through similar structures have had issues with timeliness and quality of financial reports from semi-autonomous implementing agencies and participating districts.<br>Another risk is that RELIV also is a complex project due to multiple financiers. While PMU shall be made up of qualified and experienced | Moderate | Moderate |

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| personnel with appropriate expertise in technical and financial management, there may be lack of staff familiarity with IFAD, GEF and GCF procedures. | | |
| Mitigations: There will be MoUs between MAAIF and participating implementing agencies which will stipulate requirement on financial reporting. Any non-compliance implementing agencies may have their disbursements by PMU suspended as a penalty for non-compliance. Regarding familiarity with IFAD, GEF and GCF procedures, FMD will provide capacity building training to the Finance Staff who will be selected competitively. The capacity building will include familiarization with procedures on financial reporting, expenditures categorizations across components, categories, financial reporting timeliness and other financial management related to the Project. | | |
| **Project Procurement** | **Moderate** | **Moderate** |
| **A.1 Legal, Regulatory and Policy Framework** | **Moderate** | **Moderate** |
| Risk(s): The assessment has identified several inconsistencies and gaps between the national procurement legal and policy frameworks and the IFAD procurement guidelines, such as the use of merit point evaluation for goods and works, the provision for disqualification of bidders who did not buy the bidding document, the lack of a policy for sustainable public procurement, and the absence of a centralised procurement function. These issues pose a moderate risk of non-compliance with the project objectives and IFAD procurement principles. | Moderate | Moderate |
| Mitigations: The assessment suggests several mitigation measures to address the identified risks, such as the financing agreement to define the treatment of project procurement financed by counterpart funding, using IFAD procurement method thresholds and technical compliance, allowing minimum 45 days for ICB, adopting a project procurement strategy, using IFAD SBDs for works, holding periodic supplier conferences and capacity building sessions, involving beneficiary communities in contract monitoring, and using IFAD online end-to-end procurement system OPEN. | | |
| **A.2 Institutional Framework and Management Capacity** | **Moderate** | **Moderate** |
| Risk(s):<br>• In practice, project procurement payments are delayed due to elaborate IFMIS procedures with payments for invoices between 45 to 120 days.<br>• There lacks a country level centralised procurement function in charge of consolidated procurement, framework agreements or specialised procurement.<br>• There lacks an integrated information system (centralised online portal) that provides up-to-date information on public procurement.<br>• There lacks a system whereby analysis of information from PDEs is routinely carried out, published, and fed back into the public procurement system.<br>• No evidence of consistent application of a performance measurement system that focuses on both quantitative and qualitative aspects that can be used to support strategic decision making in procurement. | Moderate | Moderate |
| Mitigations:<br>• Facilitate registration of new suppliers in the IFMIS immediately upon contract award and for ease of processing payments against deliveries.<br>• Make use of organization level framework agreements for common user items on condition they reflect current market prices.<br>• Timely publication of all contract awards including closed approaches and RFQ.<br>• Use of IFAD online end-to-end procurement system OPEN for project procurement will support data analysis and system improvement. | | |
| **A.3 Accountability, Integrity and Transparency of the Public Procurement System** | **Moderate** | **Moderate** |

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| Risk(s):<br>• From the existing IFAD operations NOPP and NOSP, there have been instances where needs analysis and market research has not guided a proactive identification of optimal procurement strategies, especially in packaging consulting assignments.<br>• In practice, there are contract clauses that provide incentives for exceeding defined performance levels<br>• In practice, project procurement payments are delayed due to elaborate IFMIS procedures with payments for invoices between 45 to 120 days.<br>• Procurement statistics are not available and there is no system is in place to measure and improve procurement practices.<br>• Lack of government programmes to help build capacity among private companies, including for small businesses and training to help new entries into the public procurement marketplace.<br>• There is no specific sector strategy for public procurement in Agriculture. | Moderate | Moderate |
| Mitigations:<br>• Adopt a Project Procurement Strategy (PPS) that will be updated annually and inform procurement approaches for key project procurement activities.<br>• Use IFAD SBDs for Works that contain provisions for value engineering to provide performance incentives.<br>• Hold periodic supplier conferences and capacity building sessions for SMEs registered as suppliers.<br>• Adherence to contractual payment schedules and regular updating of IFAD CMT financial progress for closer monitoring. | | |
| **A.4 Public Procurement Operations and Market Practices.** | **Moderate** | **Moderate** |
| Risk(s):<br>• Lack of programmes to build the capacity of relevant research<br>• holders to understand, monitor and improve public procurement.<br>• The legal/regulatory and policy framework do not have citizen participation in planning, award and contract management.<br>• The decisions of administrative review are published on the centralised government online portal but are not current and missing decisions in the last 2 financial years.<br>• Lack of a cooling-off period for former public officials before they can participate in procurement activities.<br>• Lack of a mechanism for systematically identifying corruption risks and for mitigating these risks in the public procurement cycle. No special measures for the detection and prevention of corruption associated with procurement.<br>• No special integrity training programmes regularly offered to procurement workforce.<br>• There is no evidence that civil society contributes to shape and improve integrity of public procurement. Neither is there any evidence that suppliers and business associations actively support integrity and ethical behaviour in public procurement, e.g. through internal compliance measures.<br>• Standard bidding documents do not contain any reporting mechanisms for prohibited practices. | Moderate | Moderate |
| Mitigations:<br>• Involve beneficiary communities in monitoring and acceptance of contract deliverables where applicable.<br>• Timely publishing of administrative review decisions.<br>• Use of IFAD guidance when interpreting conflict of interests during processing procurement activities and decision making.<br>• Periodic training to project staff on IFAD project procurement principles and monitoring how they are integrated in the procurement cycle during project supervision.<br>• Invitations to Bid for all procurement for IFAD funded operations to identify the source of funding, the applicable rules, and the reporting | | |

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| channels for prohibited practices.<br>• Invitations to Bid for all procurement for IFAD funded operations to identify the source of funding, the applicable rules, and the reporting channels for prohibited practices | | |
| **B.1 Assessment of Project Complexity** | **Moderate** | **Moderate** |
| Risk(s):<br>• Project does not introduce new methodologies. However, there are many consulting service assignments that could pose a challenge to staff who are new to IFAD project procurement.<br>• There are a number of beneficiary organizations that will be relied upon in development of specifications and processing procurement of items at evaluation and contract management stages. Some agencies are new to IFAD project procurement. | Moderate | Moderate |
| Mitigations:<br>• Use of procurement methods and procedures prescribed in the IFAD guidelines and handbook.<br>• Procurement for beneficiary organization will be limited to non-complex items and approaches such as Micro procurement, subject to IFAD LTA. International approaches done by the PMU. | | |
| **B.2 Assessment of Implementing Agency Capacity** | **Not applicable** | **No risk envisaged - not applicable** |
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| **Project Procurement Overall** | **Moderate** | **Moderate** |
| Risk(s):<br>• There has not been a deliberate procurement strategy and evidence of limited market research to back planning.<br>• There have been instance of delayed procurement processes due to incomplete ESIA.<br>• MAAIF has an internal audit. PPRA also undertakes annual audits but on a sample basis.<br>• There are no prescribed thresholds for contract amendments<br>• In practice payments gone beyond the 30-day payment terms. There are reported instances of late payment due to IFMIS processes.<br>• Procurement records are maintained in separate files and kept chronologically. However, there are key procurement and contract information missing from files based on past IFAD project procurement reviews.<br>• There are procurement specialists for existing IFAD operation but lacking seconded Officers to support.<br>• There is need for sustained procurement training. Procurement officers not certified. | Moderate | Moderate |
| Mitigations:<br>• Need for emphasis in needs analysis, defining requirements and packaging procurements to ensure optimal packaging and costing.<br>• Update the project procurement strategy regularly to reflect the procurement environment and guide the planning and market approaches.<br>• Major Construction contractors to hire among its key staff an Environmental and Social Safeguards Specialist.<br>• Soon to be launched eGP system will ease sampling of public institutions for the procurement audits. Schedule the project for regular procurement audits and follow ups to ensure compliance.<br>• Include approval thresholds for contract amendments as part of the PIM.<br>• Ensure timely release of budget allocations on time so as to enable procuring entity meet contractual obligations.<br>• Retain consolidated procurement files with contract management records.<br>• Onboarding of a Senior procurement specialist to the PMU and | | |

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| supported by a seconded procurement officer.<br>• IFAD BUILDPROC training and other procurement related trainings. | | |
| **Environment, Social and Climate Impact** | **Substantial** | **Substantial** |
| **Vulnerability of target populations and ecosystems to climate variability and hazards** | **Substantial** | **Substantial** |
| Risk(s): Prolonged dry spells, droughts, and unreliable rainfall patterns are the main climate risks likely to affect project beneficiaries, with negative impacts such as water scarcity leading to poor fodder/pasture availability, low livestock productivity, poor yields, increased incidences of pests and diseases, low quality and quantities of milk produced, as well as diminished livelihoods and exacerbated poverty. | Substantial | Substantial |
| Mitigations: RELIV will promote measures such as rainwater harvesting, renewable energy, fodder trees/shrubs establishment, manure management and composting, improved and resilient breeds, fodder conservation, livestock insurance, access to climate finance, and improved pest and disease surveillance and management. | | |
| **Greenhouse Gas Emissions** | **Substantial** | **Substantial** |
| Risk(s): Poor quality of fodder/pasture, breeds, manure and herd management practices contribute to increased GHG emissions. Investments in the dairy sector are likely to result in increased absolute GHG emissions due to increased herd sizes. GHG gases may also result from agrochemicals use and the use of diesel or petroleum-based energy sources e.g. in processing, pumping water, cooling etc. | Substantial | Substantial |
| Mitigations: Renewable energy use e.g. solar and biogas, composting and manure management, herd management, integrated pest management (IPM), efficient fodder and feed management, and improved and resilient breeds. | | |
| **Physical and Economic Resettlement** | **Low** | **Low** |
| Risk(s): RELIV is not anticipated to lead to resettlement of farmers or project stakeholders. The infrastructure that will be constructed and rehabilitated will be on state land and will not cause any land acquisition from individual farmers and/or the community, Physical resettlement of permanent homes or resettlement of livelihood activities (cattle grazing and hunting grounds). | Low | Low |
| Mitigations: In the unlikely event of land acquisition from individual farmers and/or the community, FPIC will be carried out, consent documented, and appropriate compensation provided in accordance with national laws. In case of physical or economic resettlement, SECAP standards on resettlement will be applied. | | |
| **Community health, safety and security** | **Substantial** | **Substantial** |
| Risk(s): Occupational risks exist for majority of the livestock farmers in Uganda is largely a result of their regular contact with animal waste, urine and blood. The farmers who participate in treatment of their animals are also exposed to needlestick injuries. The risks for female and young agropastoral are distinct from those of men.<br>The large raw milk market and self-consumption of raw milk at home possesses a risk of unsafe and contaminated raw milk that can cause food borne diseases such as dysentery or zoonotic diseases like Tuberculosis and Brucellosis.<br>A national livestock and livestock products traceability system is missing.<br>The use and disposal of chemicals including acaricides and their containers may contaminate the environment while empty containers may be used for domestic purposes.<br>There is also a risk of not attaining the anticipated nutrition outcomes if the targeted households do not consume the required liters of milk and if the income earned from sell of dairy products is not used to buy nutritional food items at households. | Substantial | Substantial |

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| Mitigations: The project capacity building programs will promote the use of PPE and sensitize the community on zoonotic diseases related risks, communicable diseases related risks, best practices for keeping animals in a safe manner to avoid cross species contamination and disposal of containers of veterinary medicines.<br>The risks related to consumption of raw milk will be addressed through nutrition education at community and household level and accompanied by efforts for adding value to the raw milk value chain.<br>The project will also promote improved food safety screening in both the dairy and beef value chains to promote food security. Support will also be provided towards establishing a national livestock and livestock products traceability system which will guarantee the quality, transparency, value chain sustainability and penetration into external markets that prioritize quality | | |
| **Labour and Working Conditions** | **Substantial** | **Substantial** |
| Risk(s): Promotion of zero grazing will further increase the workloads especially for the women and children who are primarily responsible for domestic care tasks in Uganda. The added workload may be realized from planting and collecting fodder, collection of water, feeding, cleaning and security of the animals among others. There is also a risk of poor working conditions especially for the youths and women involved in the milk collection and value addition services. | Substantial | Substantial |
| Mitigations: The project will promote small-scale mechanization that will reduce the workload for dairy and beef farmers, women in particular. Implementation of the GALS will minimize inequity in labor distribution. The youths will be mobilized into farmer groups and cooperatives which will facilitate their access to value chain development services. | | |
| **Indigenous People** | **Low** | **Low** |
| Risk(s): As per the SECAP screening tool, ReLIV will not include interventions where indigenous peoples are present and thus it will not be located on lands and territories claimed by indigenous peoples or have any impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them. Thus, the risk is deemed very low. | Low | Low |
| Mitigations: RELIV targeting approach will ensure that vulnerable and marginalized groups are included. In the event during the implementation that indigenous communities are identified in the project area, the project will follow the steps to seek their free, prior and informed consent (FPIC) outlined in the SECAP Review Note. Moreover, through the multi-stakeholders platforms, policy issues related to indigenous could be discussed to ensure any necessary policies related to their rights are brought to the attention of decision makers. | | |
| **Cultural Heritage** | **Low** | **Low** |
| Risk(s): Uganda is one of the richest countries in the world in relation to natural and cultural heritage. Government of Uganda in the NDP III identifies cultural heritage as a resource and seeks to create a sustainable approach to rural development promoting culture. RELIV has a very low risk of degrading the cultural heritage. The planned investments will largely be at the household level and the approaches including support through farmer groups and cooperatives are culturally acceptable. The construction of infrastructure will be done using certified materials, procedures and by qualified companies competitively selected and will strictly avoid the destruction of any cultural site. | Low | Low |
| Mitigations: RELIV will ensure that cultural considerations are made while rolling out project activities. | | |
| **Resource Efficiency and Pollution Prevention** | **Substantial** | **Substantial** |
| Risk(s): Droughts and heat waves will result in water scarcity and inadequate fodder, resulting in low yields. Inadequate access to clean water affects livestock productivity, especially during the dry season. Poor | Substantial | Substantial |

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| manure and feed management and overstocking may result to increased GHGs emissions. Inappropriate use of livestock related agrochemicals (e.g. acaricide) will potentially lead to pollution of soil and water bodies. Poor management of animal waste as well as waste produced in facilities such as abattoirs and laboratories can contaminate water and soil as well as result in the spread of zoonotic diseases. Inefficient use of water and energy may lead to wastage and shortages. Poor or lack of use of PPEs could result to exposure to agrochemicals and zoonotic diseases. | | |
| Mitigations: Resource efficiency and pollution prevention will be enhanced through promotion of renewable energy use, water and energy efficient technologies, sustainable manure and feed management, water harvesting, circular approaches to solid waste management, treatment of effluent discharge from slaughter houses, integrated pest and disease management, improved and adapted livestock breeds, fodder conservation, animal health and husbandry, and promotion of biosafety measures along the value chain, etc. | | |
| **Biodiversity Conservation** | **Substantial** | **Substantial** |
| Risk(s): Deforestation along the cattle corridor is rampant as most households rely on fuel wood and charcoal for cooking and heating. Loss of habitats to agricultural activities such as pasture and fodder production as well as human settlement are major contributing factors to biodiversity loss. Poor farming practices especially on steeps slopes also lead to loss of vegetative cover. Sedimentation of water bodies and degradation of wetlands are likely to result in loss of biodiversity. | Substantial | Substantial |
| Mitigations: The key biodiversity conservation measures that will be promoted by the project shall include pasture management, overgrazing and soil erosion control measures, planting of fodder trees, fodder conservation, composting, and circular economy approaches e.g. biogas and bioslurry use. | | |
| **Stakeholders** | **Moderate** | **Moderate** |
| **Stakeholder Grievances** | **Moderate** | **Moderate** |
| Risk(s): Potential conflicts may arise among community groups, cooperatives, outside workers, and smallholder producers regarding infrastructure locations and beneficiary selection for asset building. Grievance procedures are vital to enable Project Affected Persons (PAPs) to raise concerns at no cost and ensure timely resolutions. | Moderate | Moderate |
| Mitigations: Grievance Redress Mechanisms (GRMs) will be put in place at the level of producers' organizations (cooperatives, MCCs and MCPs). The entry point for GRM will be the livestock extension at PCU level and the Gender and Social Inclusion Specialist will be appointed to follow up the GRM process. A Free Prior and Informed Consent (FPIC) process will be conducted with groups ahead of any project investment that may affect the target beneficiaries. Selection of beneficiaries will be conducted in close collaboration with local and traditional authorities, on the basis of clear and well disclosed criteria, and in transparent manner. | | |
| **Stakeholder Engagement/Coordination** | **Low** | **Low** |
| Risk(s):Both the dairy and the beef sectors are well organized with strong Government agencies coordinating sectoral development efforts, and stakeholders' organizations (farmers, traders, processors) well organized at local, regional and national levels. It is therefore easy for the PDT to identify potential partners and stakeholders and involve them in the design, which has already been the case during the PCN mission with the organization of a stakeholder consultation workshop, which was attended by all the main sector actors, public and private. This engagement will continue during the project design to ensure proper ownership and acceptance by sector stakeholders. | Low | Low |

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| Mitigations: The inclusive dialogue with Government agencies and stakeholder organizations initiated during the PCN mission will have to be pursued during the design and later during implementation. The existence of national multi stakeholder platforms for both the dairy and the beef sector that have been initiated by other development partners (SNV for dairy, EU for beef), will be an opportunity to ensure this consultation and coordination. The project will further support these platforms which are still new, and support their decentralization at local level which will facilitate participation of smallholder farmers in the consultations. | | |