Document:	EB 2013/108/R.6
Agenda:	4
Date:	13 March 2013
Distribution:	Public
Original:	English

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Enabling poor rural people
to overcome poverty

Republic of Uganda

Country strategic opportunities programme

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Executive Board — 108th Session
Rome, 10-11 April 2013

For: **Review**

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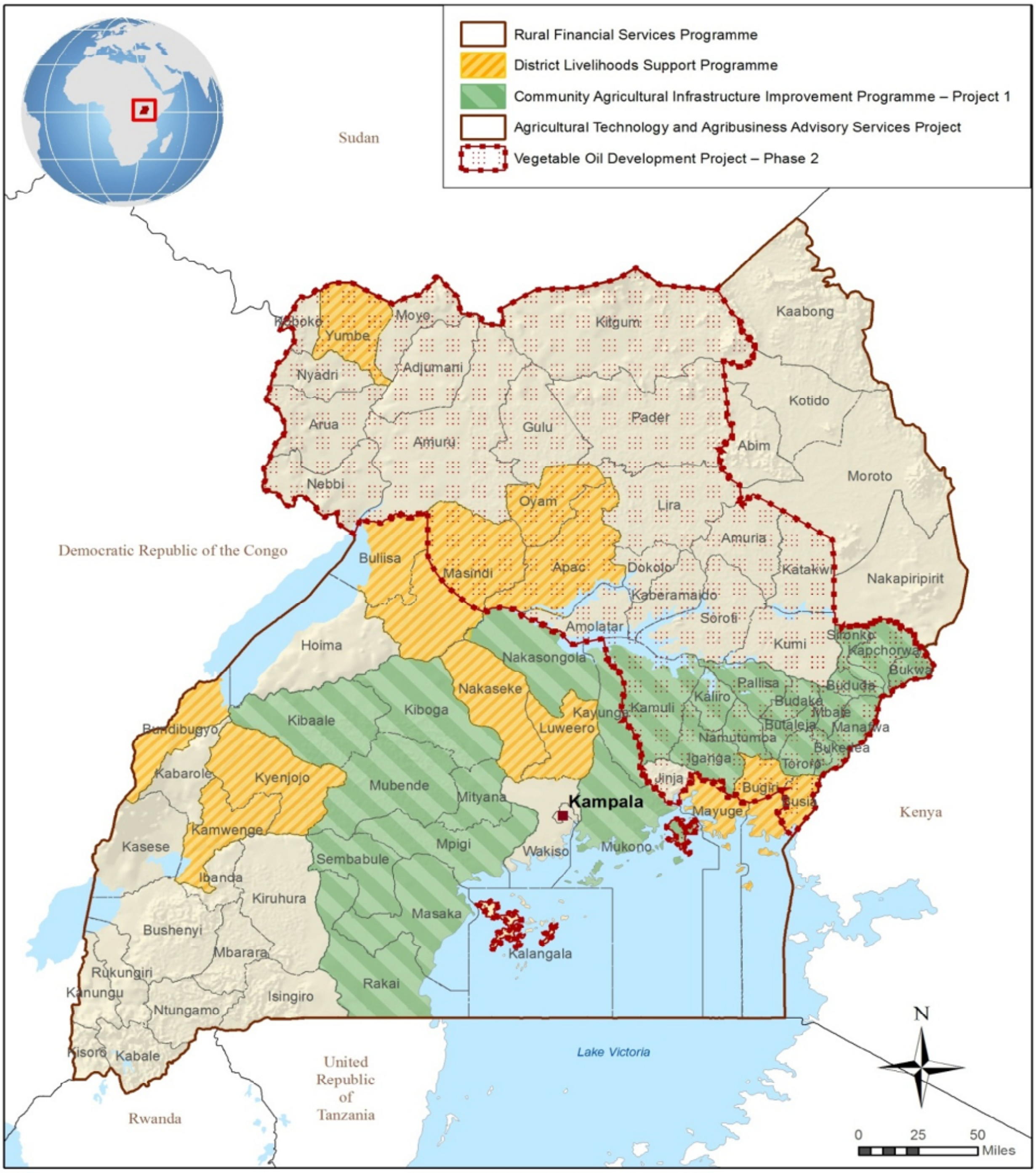
Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
ATAAS	Agricultural Technology and Agribusiness Advisory Services Programme
CAIIP	Community Agricultural Infrastructure Improvement Programme
COSOP	country strategic opportunities programme
CPE	country programme evaluation
Danida	Danish International Development Agency
DLSP	District Livelihoods Support Programme
DSIP	Development Strategy Investment Plan
GDP	gross domestic product
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MSME	micro, small and medium-sized enterprise
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organisation
NDP	National Development Plan
PBA	performance based allocation
PPP	public-private partnership
PRELNOR	Project for the Restoration of Livelihoods in the Northern Region
PROFIRA	Project for Financial Inclusion in Rural Areas
RFSP	Rural Financial Services Programme
SACCOs	savings and credit cooperatives
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Cooperative Savings and Credit Union
UCT	Uganda COSOP Team
UNFFE	Uganda National Farmers’ Federation
USAID	United States Agency for International Development
VODP2	Vegetable Oil Development Project, phase 2
VSLAs	village savings and loans associations

Map of IFAD-funded operations

Uganda

Ongoing IFAD-funded operations



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* | 30-11-2012

Summary of country strategy

1. This country strategic opportunities programme (COSOP) supports the relevant Government policy and strategic documents and is consistent with IFAD's strategic framework and other relevant policies. It takes into account the country economic context, demographic and poverty trends and the challenges related to climate change. It builds upon the results and lessons learned from IFAD investment as well as the recommendations of the country programme evaluation completed in 2012.
2. IFAD's comparative advantage lies in its familiarity with the grass-roots level, its understanding of the constraints of the rural poor, including the most vulnerable groups, and its capacity to envisage inclusive approaches for their participation in economic development.
3. The overall goal of IFAD's country programme will be to increase the income, improve the food security and reduce the vulnerability of the rural households living in poverty. This will be pursued through three strategic objectives: (i) the production, productivity and climate resilience of smallholder agriculture are sustainably increased; (ii) the integration of smallholders into the markets is enhanced; and (iii) the access to and use of financial services by the rural population are sustainably increased.
4. IFAD investment will target: poor smallholder households who have the potential to commercialize their economic activities; and the most vulnerable households, who have limited livelihood options and are generally bypassed by development initiatives. IFAD will focus its resources in the areas with the highest incidence of poverty (north) and/or with the greatest density of poor people (east).
5. The IFAD allocation for the COSOP period will indicatively be about US$130 million and IFAD will mobilize further cofinancing for its investment, including from the Adaptation for Smallholder Agriculture Programme (ASAP). Under the first performance-based allocation system (PBAS) cycle (2013-15), IFAD will support a rural finance programme and a programme for restoration of livelihoods in the northern region. Investment opportunities for the following cycle will be identified during the course of the COSOP.

Republic of Uganda

Country strategic opportunities programme

I. Introduction

1. Since 1981, IFAD has supported 14 projects in Uganda with about US$296 million in loans on highly concessional terms and US$21 million in grants. This results-based country strategic opportunities programme (COSOP) has been prepared using the recommendations of the IFAD country programme evaluation (CPE) and sets out the framework for collaboration between the Government of Uganda and IFAD over the next six years (2013-18).

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

2. Since 1986 Uganda has made substantial economic and social gains. Annual economic growth has averaged about 7 per cent per year for the past decade, with wide disparities between regions. Nevertheless, Uganda remains one of the "bottom billion" countries, with a gross domestic product (GDP) per capita of about US$570 per annum in 2011/12, and ranks 161 out of 187 countries on the Human Development Index.

3. **Regional trade.** Regional trade accounts for about half of exports. Exports to the East Africa region increased from an average of 18.6 per cent in the 1990s to 26 per cent in the 2000s. Uganda's geographical position as a landlocked country is both a constraint and an asset, raising the cost of imports by about 20 per cent and of exports by about 25 per cent relative to Kenya and the United Republic of Tanzania.

4. **Private-sector-led growth.** The focus by the Government on private-sector-led development has contributed to steady economic growth. Local and foreign investment flows have continued to increase, from 12 per cent of GDP in 2000 to almost 23.9 per cent in 2007. Micro, small and medium-sized enterprises (MSMEs) contribute about 20 per cent of GDP and employ about 12 per cent of the labour force.

5. **Oil.** Oil production is expected to start in 2016, generating an annual revenue equivalent to about 15-20 per cent of GDP for 20 years. This presents tremendous opportunities to use oil revenue to reduce poverty, provided the Government manages to mitigate the potential negative effects for the economy of a likely appreciation of the exchange rate (a phenomenon known as "Dutch disease").

Agriculture and rural poverty

6. **Population.** Population is growing at 3.3 per cent per year. In the last 20 years, population density has doubled and is expected to double again over the next 20. Uganda has one of the highest dependency ratios in the world, and this is also expected to rise. The unskilled labour force is growing at about 3.7 per cent per annum, and is currently mainly absorbed by the agricultural sector.

7. **Rural Poverty.** Uganda's sustained growth over the past two decades has continued to be rewarded with strong poverty reduction. While the incidence has reduced significantly, dropping from almost 56.4 per cent in 1992/93 to 24.5 per cent in 2009/10, the reduction in the total number of poor is less significant because of the increase in the population. Poverty remains mainly a rural phenomenon, with 34 per cent of the rural population living below the national poverty line. The poorest areas of the country are in the north, where poverty incidence is consistently above 40 per cent and in many districts exceeds 60 per cent. However, because of

population density, the greatest number of poor people are found in the east, which has a poverty density 8 to 10 times higher than in the north.

8. **Gender.** In 2005/6, about 40 per cent of girls completed primary school; however, only one third of enrolled girls remain in school until age 18, rendering 50 per cent of women functionally illiterate. Low education levels of women and lack of sufficient access to family planning services are among the causes of the high fertility rate. Levels of sexual and gender-based violence are high.

9. **Agriculture.** About 20 per cent of the surface area is covered by internal water bodies. Rainfall ranges from 2,200 mm around Lake Victoria to 400 mm in the northern parts. Most of the country has two crop seasons, although for some crops production in the north is limited to one long season. About 40 per cent of the land area is considered arable and about 30 per cent is currently being cultivated, mostly in the southern regions. Yields remain at subsistence level for most food crops and are mediocre for cash crops. About three quarters of agricultural households derive their livelihoods from low-input rainfed agriculture, on holdings of less than 1.5 hectares. The agricultural sector accounts for about 15 per cent of GDP and employs about 75 per cent of the total labour force, a number which is increasing as the population grows.

10. **Market integration.** Only 60 per cent of farmers sell in markets, although this represents a considerable increase from about 40 per cent ten years ago. Price volatility makes returns to farmers fluctuate sharply. Rapidly increasing demand for food crops from the growing urban population and regional markets is expected to drive agricultural development in the foreseeable future. This will provide an opportunity for farmers, while also stimulating primary local processing.

11. **Land tenure.** Most land in Uganda is accessed through customary tenure systems. Unregistered freehold land and land under customary tenure account for over 76 per cent of the land. Land often tends to be underutilized, as the owners lack the means, and the tenants the incentives, to invest. Increasing population has resulted in land fragmentation and tenure insecurity is widespread.

12. **Soil fertility.** The rate of soil fertility depletion in Uganda is among the highest in sub-Saharan Africa: it is estimated that about 1.2 per cent of the nutrient stock stored in the topsoil is being mined each year. Although fertilizer use has increased since 2000, it is still very low, mainly because of the high costs and risks stemming from weather and crop prices.

13. **Climate change.** Over the last 10 years, Uganda has seen an increase in the variability and amount of rainfall and an increase in extreme climate events. Uganda is considered to be among the least climate-resilient countries due to poverty and income diversity. Changing climate patterns, such as increased droughts, floods and alterations in precipitation cycles, are expected to greatly impact upon the livelihoods of the people.

14. **Natural resource degradation.** About half of Uganda is affected by severe land degradation, characterized by soil erosion and nutrient depletion from unsustainable land use. This situation is likely to be exacerbated by climate change. The quality and quantity of water resources are being affected and Uganda is progressively becoming a water-stressed country.

15. **Rural finance.** As of 2009, only 15 per cent of the rural population used banking services, while just 7 per cent were served by other formal institutions. Nearly half of the population were relying on informal financial arrangements and 31 per cent were totally unserved.

B. Policy, strategy and institutional context

National institutional context

16. **Public sector.** Uganda's national growth and development policy is coordinated by the Ministry of Finance, Planning and Economic Development (MFPED), which coordinates dialogue with development partners. Two other key ministries that are long-term partners of IFAD are the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and the Ministry of Local Government (MoLG). Two important agencies under MAAIF are the National Agricultural Research Organization (NARO), in charge of agricultural research, and the National Agricultural Advisory Services (NAADS), responsible for the delivery of advisory and extension services. MoLG is responsible for coordinating, supporting and advising local governments in service delivery.

17. **Local governments.** While the push for decentralization started in the 1990s, in recent years there has been a move towards policies based on vertical sector approaches and away from local institutional development. The number of districts in Uganda increased from 64 in 2006 to 113 currently, but their capacity to deliver services has diminished. The main issue remains weak horizontal coordination at the local level among central ministries and local councils and governments.

18. **Rural organizations.** Since 2006, the Government has explicitly encouraged the emergence of rural organizations, currently organized into national umbrella organizations, including: the Uganda National Farmers' Federation (UNFFE); the Uganda Cooperative Alliance (UCA); and the Uganda Cooperative Savings and Credit Union (UCSCU).

National rural poverty reduction strategy

19. **National policy.** The National Development Plan (NDP) 2010/11-2014/15 aims to transform Ugandan society from a peasant to a modern and prosperous middle-income country within 30 years. Key NDP investment areas are: developing human resources and achieving gender equality; improving physical infrastructure in rural areas; ensuring the availability of agricultural inputs; promoting rural MSMEs for value addition; and developing national capacity for climate change adaptation activities.

20. **Sectoral policies.** The key sectoral policies and strategies are: (i) the agricultural sector policy contained in the Development Strategy and Investment Plan (DSIP) for 20010/11-2014/15, whose vision is for "a competitive, profitable and sustainable agricultural sector"; (ii) the rural finance policy framework, which has vacillated over the recent years between a Government-driven and a more market-oriented approach and is currently evolving towards the latter, with a strong emphasis on financial inclusion; (iii) the decentralization policy, with the Local Government Sector Investment Plan 2006-2016 providing the framework for improving service delivery and good governance at the decentralized level; and (iv) the environment and climate policy framework, whereby environmental and natural resource management is decentralized to local governments.

Harmonization and alignment

21. Development partners and the Government signed partnership principles in 2003, which have since guided harmonization and alignment. The NDP and the other sectoral documents provide the overall strategic framework for these partnerships. The Local Development Partners Group is the overarching body for coordinating strategies, which are mirrored by sector working groups. Through its Country Office, IFAD is an active member of the groups for those sectors that are relevant to the country programme.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

22. Since 1981, IFAD has financed 14 loans to Uganda worth almost US$300 million, against a total investment of US$1.3 billion. Current IFAD investment (totalling US$164 million) is focused on three thematic areas: agriculture (the Vegetable Oil Development Project, Phase 2 [VODP2], 2010-2019 and the Agricultural Technology and Agribusiness Advisory Services Programme [ATAAS], 2011-2017); local government services (the Community Agricultural Infrastructure Improvement Programme [CAIIP], 2008-2013 and District Livelihoods Support Programme [DLSP], 2007-2015); and rural finance (Rural Financial Services Programme [RFSP], 2004-2013).

23. The IFAD country programme has achieved important results and impacts:

- About 15 per cent of all farming households (1.5 million households) have received training in agricultural production technologies under NAADS, resulting in an increase in per capita agricultural income of 42-52 per cent.[1]
- About 1.7 million households have access to rural financial services through the support to savings and credit cooperatives (SACCOs), some of which have reached financial and operational sustainability. From 2008 to 2012, the average shareholding capital per person increased fourfold and average savings almost doubled.[2]
- Oil palm has been introduced to the country under a public-private partnership (PPP) that has attracted private sector investment of over US$100 million. About 1,500 smallholders and 3,000 agricultural labourers have directly benefited from the investment. The indirect benefits for the local economy have been considerable and Kalangala District, the seventy-second poorest district out of 77 in 2002, is now among the seven richest districts in the country.[3]

24. The CPE points out some of the strengths and weaknesses in the performance of the IFAD country programme:

- IFAD is highly regarded for its focus on the rural poor and its programmes are well aligned with government policies and harmonized with those of the other development partners;
- The country programme has suffered from a micro-macro paradox, whereby satisfactory performance at project level has not always translated into visible impact at country level because of some geographic and thematic fragmentation; some inconsistency of investment over time; limited synergies among different projects; and no systematic effort in policy dialogue and scaling up;
- A key accomplishment of the IFAD country programme is the promotion of an innovative and far-reaching PPP in the oil palm subsector;
- IFAD has financed promising interventions supporting the inclusion of vulnerable households, such as the household mentoring approach and the village savings and loans associations (VSLAs); unfortunately, not enough effort has been devoted to scaling these up; and
- Sustainability received the lowest rating across the portfolio, in terms of the institutional arrangements and responsibilities for post-project upkeep.

25. In order to improve country programme performance, the CPE made some key recommendations: (i) expand the geographic coverage of IFAD operations in the

[1] Impact evaluation of NAADS in Uganda International Food Policy and Research Institute, Kampala 2008. Rural Financial Services Programme.
[2] Supervision mission report, May 2012.
[3] UNDP Human Poverty Report, Uganda 2001 and 2007.

north; (ii) continue providing support to commodity value chain development; (iii) define a realistic and appropriately resourced agenda for policy dialogue; (iv) further strengthen project results by focusing attention on synergies among different projects, natural resource management, empowerment, sustainability of project investment and scaling up of innovations; and (v) carefully determine the staff requirements and division of labour at country office level.

B. Lessons learned

26. Some key lessons can be extracted from the experience accumulated through IFAD interventions in Uganda:

- A conducive policy framework is essential for the success of a project; the risk of changes in policy during implementation needs to be factored into project design and appropriate risk-management measures identified.
- Projects and programmes should, to the extent possible, invest in contiguous geographical areas and focus on a few strategic interventions in order to maximize impact.
- Sustainability of project benefits requires a solid institutional framework and therefore long-term investment in strengthening key local institutions, both public and non-public.
- PPPs have proved to be a powerful tool to integrate farmers into markets and strong value chains; the private sector is willing to engage in equitable partnerships with smallholders.
- The IFAD-piloted "household mentoring" approach has proved to be a valuable tool for promoting inclusion of very poor households, by strengthening the capacity of the households to assess their constraints and empowering them to overcome poverty.
- Community-based financial institutions, such as SACCOs and savings and credit groups, are an effective entry point to financial services for a large segment of the rural population that would otherwise remain excluded.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

27. IFAD's strategy in Uganda over the past 15 years has been characterized by thematic consistency, supporting the Government of Uganda in its aim to move rural populations from subsistence to market-oriented agriculture. IFAD has invested in particular in three thematic areas: (i) improving agricultural technologies to raise production and productivity; (ii) improving market access for smallholders; and (iii) improving access to rural financial services.

28. The above thematic areas remain very relevant. Over the years, IFAD has learned important lessons and gained field experience, while building strong relationships with relevant public institutions as well as private sector operators and civil society organizations. In this respect, IFAD's comparative advantage lies in its capacity to commit support over the long term with a view to promoting a higher impact, supporting institution building and sharing innovations and lessons learned.

29. Partners at the national level acknowledge IFAD's familiarity with the grass-roots level and the specific constraints of poor households, including the most vulnerable groups, and its capacity to envisage inclusive strategies. There is a general consensus that an important comparative advantage for IFAD in Uganda lies in its experience and expertise in promoting pro-poor approaches in key sectors such as agriculture and rural finance. A major element and future priority in this respect relates to supporting rural organizations at all levels as a key strategy to empower the rural poor.

B. Strategic objectives

30. The IFAD country programme for Uganda will cover the period 2013-2018. The programme will be aligned with the NDP and the other relevant sectoral strategies. These strategies are consistent with the IFAD Strategic Framework 2011-2015. Within this overall framework, the goal of the country programme will be **to increase the income, improve the food security and reduce the vulnerability of the rural households living in poverty**, through the three strategic objectives described below.

31. **Strategic objective 1 (SO1)**. **The production, productivity and climate resilience of smallholder agriculture are sustainably increased.** This objective will be achieved by: (i) improving access to and use of appropriate agricultural technologies for sustainable intensification in the face of climate change, with the primary focus on improved seeds, inputs (both chemical fertilizers and organic matter) and labour-saving and -enhancing practices and technologies; (ii) enhancing the provision of relevant advisory services, by strengthening both the supply of (NARO and NAADS) and demand for (farmers and their organizations) these services; (iii) ensuring sustainable land and water management by promoting suitable soil and crop management practices, investing in water conservation and small-scale irrigation and securing the land tenure rights of disadvantaged groups; and (iv) rendering smallholder agriculture more climate-smart by enabling smallholders to better understand and manage both the risks posed and the opportunities offered by climate variability through appropriate adaptation measures.

32. IFAD will continue to support this objective through the cofinancing of NAADS and NARO under ATAAS, the investment under VODP2 and a new Project for the Restoration of Livelihoods in the Northern Region (PRELNOR) planned for 2015-2022.

33. **Strategic objective 2 (SO2)**. **The integration of smallholders into the markets is enhanced.** This objective will be achieved by: (i) investing in value chains with clear potential to benefit and integrate poor smallholders, adopting an inclusive approach to address the main constraints experienced by poor men and women farmers; particular emphasis will be given to the development of PPPs as a powerful instrument to foster win-win business relationships between private sector investors and smallholder farmers; (ii) developing rural climate-resilient economic infrastructure such as access roads, market facilities, post-harvest storage facilities and electricity for agroprocessing; (iii) promoting agroprocessing and value addition, in particular around the emerging rural-urban centres, through facilitation of private sector investment and its linkages with smallholder producers, as well as through the development of local micro and small enterprises; and (iv) strengthening farmers' organizations at grass-roots and district levels to engage in post-harvest, marketing and primary processing activities.

34. The main investment under this SO will be in consolidating and scaling up the investment in the vegetable oil subsector, through VODP2. Other opportunities for investment in specific value chains will be addressed through ongoing projects (ATAAS) or new ones (PRELNOR and others to be identified for the 2016-2018 cycle). Rural economic infrastructure will continue to be supported through MoLG under the ongoing DLSP (closing in 2015) and under PRELNOR.

35. **Strategic objective 3 (SO3)**. **The access to and use of financial services by the rural population are sustainably increased.** Under this objective, IFAD will continue to support the expansion of the outreach of financial services to rural areas, with specific focus on facilitating the integration of the rural poor. Investments will focus on community-based financial institutions, which represent the first entry point for the rural poor into formal financial markets. This will be achieved through: (i) strengthening of existing SACCOs to expand their membership and attain full financial and operational sustainability; (ii) scaling up of community savings and

credit groups, based on the principles of the VSLA methodology; and (iii) support to the institutional, policy and regulatory framework for community-based financial institutions. Linkages among grass-roots-based institutions and with higher-level institutions will be promoted to enable rural people to gradually access a wider range of financial services.

36. The Project for Financial Inclusion in Rural Areas (PROFIRA, 2014-2020) will be the main investment by IFAD under this SO. The other programmes (ATAAS, VODP2, DLSP and PRELNOR) will indirectly contribute to this objective by increasing the profitability of smallholder agriculture, thus making smallholders bankable clients.

C. Opportunities for innovation and scaling up

37. Scaling up is already embedded in the IFAD country programme in Uganda. VODP2 is replicating in new geographic areas the PPP development model used for oil palm production, which has been successfully applied in Kalangala District. Furthermore, in the oilseed subsector three additional crops will be supported in a larger project area, adapting the PPP model from oil palm to partnerships with small and medium-sized local enterprises.

38. Scaling up will also be pursued in rural finance. PROFIRA will scale up community savings and credit groups – which have been successfully promoted in Uganda by a few organizations, including through an IFAD grant - as a powerful mechanism for financial inclusion of the rural poor. PROFIRA will also build on the experience of RFSP and apply it to support SACCOs in achieving sustainability.

39. The household mentoring approach, successfully tested under DLSP, will be adopted and scaled up in the country programme as the key strategy for inclusion of the most vulnerable households. The learning and systematization process will involve national centres of excellence for knowledge management (Makerere University) as well as the IFAD Policy and Technical Advisory Division to ensure dissemination at the "internal" (IFAD) and "external" (national) level.

D. Targeting strategy

40. The main target groups for IFAD investment will be: (i) poor smallholder households who have the potential and minimal assets to expand and commercialize their economic activities, but, due to a number of constraints, are not yet fully integrated into the markets; (ii) highly vulnerable households with limited assets and restricted livelihood options who are generally bypassed by development initiatives; and (iii) women and young people within these two target groups, who will receive particular attention as they frequently experience discrimination in terms of access to services and productive assets.

41. The main strategies to reach the above target groups will be elaborated in detail during project design, depending on the specific context, but will broadly include: (i) removing the constraints that prevent smallholder households from fully participating in markets; (ii) household mentoring to support the inclusion of the most vulnerable households; (iii) identifying and mainstreaming specific activities and mechanisms to enhance the participation of women and young people; and (iv) facilitating active participation by target groups in rural organizations and economic interest groups.

42. Geographic targeting will be an important element of IFAD's investment strategy. In order to maximize impact on poverty reduction, IFAD will focus its resources in the areas with the highest incidence of poverty (north) and/or with the greatest density of poor people (east). Geographic consistency, both within the same project and among different projects, will also be pursued.

E. Policy linkages

43. A conducive policy framework is a prerequisite for the achievement of all three strategic objectives. IFAD will continue to engage in policy dialogue with the

Government with a view to keeping pro-poor concerns high on the policy agenda. IFAD-supported projects will serve as vehicles for learning and identifying key policy issues to be addressed for broad-based rural economic growth.

44. Some key priority areas for policy dialogue have already been identified, and it is envisaged that others will emerge during COSOP implementation:

- The reorientation of NAADS from distribution of subsidized agricultural inputs to provision of relevant pro-poor advisory services, in partnership with the World Bank through ATAAS.
- Support for the establishment of smallholder oil palm growers' organizations that are financially self-sustainable.
- The establishment of an appropriate regulatory framework for fourth-tier institutions (including SACCOs) and a conducive policy framework for savings and credit groups.
- Support to the UCSCU, in partnership with an international cooperative organization, to enable it to become a self-sustainable apex body for SACCOs.

45. Different modes of engagement in policy dialogue will be used, including: (i) production of evidence from projects to inform policy decision-making; (ii) active participation in the relevant sector working groups; (iii) capacity-building of partner government agencies (e.g. MFPED and MAIIF) to formulate pro-poor policies; and (iv) support for rural organizations (e.g. UNFFE, UCA and UCSCU) to effectively promote their own policy agenda.

V. Programme management

A. COSOP monitoring

46. A COSOP monitoring framework will be set up with the aim of measuring programme performance and facilitating coordinated decision-making. Annual review meetings will be organized with UCT members and other relevant IFAD stakeholders. A COSOP midterm review will be carried out in 2015 and a COSOP completion review in 2018. These review processes will be key in ensuring the necessary flexibility of the country strategy in order to adapt the country programme to the evolving situation and emerging opportunities.

47. The COSOP results framework will be linked to the projects' monitoring and evaluation (M&E) systems, which will be the main source of data and information for COSOP monitoring. IFAD will continue to support the projects in refining their M&E systems and improving the timeliness and quality of M&E data.

B. COSOP management

48. **Country programme approach.** This COSOP will provide the framework for the implementation of a coherent country programme, which will integrate both lending and non-lending activities. Synergies and complementarities among investment projects will be strengthened by: (i) maximizing the geographic coherence of intervention areas among different projects; (ii) emphasizing synergies at operational level, including through thematic supervision across projects and participation of project staff in implementation support missions for other projects; (iii) creating opportunities for cross-learning and sharing of experiences among different projects; and (iv) envisaging during the design of new projects explicit mechanisms to ensure complementarity and coordination with ongoing operations. Non-lending activities, i.e. policy dialogue, knowledge management and partnership development, will be conducted under the overall country programme framework, with the aim of enhancing coherence.

49. The key tools to implement the country programme approach are: (i) the IFAD Country Office, staffed by national and international officers, overseen by the country programme manager, which will ensure regular supervision and

implementation support of projects, take the lead in non-lending activities and play a key role in promoting synergies and complementarities among projects; (ii) the Uganda COSOP Team (UCT), composed of representatives of key public and non-public stakeholders from the different sectors of IFAD investment, which has steered the COSOP formulation process and will ensure its annual monitoring, thus providing an ideal forum for the strategic discussion of policy issues, lessons and best practices emerging from project implementation; and (iii) the Country Programme Management Team*,* composed of key project management staff, where synergies and complementarities will be discussed at operational level and which will provide a forum for cross-learning, exchange and training among projects.

C. Partnerships

50. **Government.** IFAD's principal partnerships will continue to be with the Government, through traditional partners such as MFPED, MoLG and MAAIF. In addition, new strategic partnerships will be built with institutions such as the National Environmental Management Authority and Ministry of Water and Environment to raise the profile of environment and climate change issues in the country programme.

51. **Rural organizations.** Partnerships with rural organizations will be given a more prominent role under this COSOP. This role will be developed at different levels, as appropriate, at the grass-roots, district and national levels. Representatives of these organizations will be members of the UCT and the steering groups for the design and oversight of IFAD-supported projects.

52. **Private sector.** Partnership with the private sector will continue to be an important feature of the country programme, in order to facilitate the establishment of solid PPPs. The vegetable oil sector will be the primary focus in this respect, but such partnerships will be replicated in other value chains as opportunities arise. Multi-stakeholder platforms will also be supported as forums for coordination and dialogue among value chain stakeholders.

53. **Development partners.** Partnerships with the other development partners will be strengthened. Cofinancing opportunities will continue to be actively explored. Efforts will be made to strengthen joint supervision and implementation support with cofinancing partners, in particular the World Bank for ATAAS. Harmonization of the envisaged investment in the North (PRELNOR) with other donors will be sought through the Northern Uganda Recovery and Development donors' group. IFAD will continue to be part of the United Nations Delivering as One agenda, under the United Nations Development Assistance Framework, to the extent compatible with its specific modus operandi as an international financial institution.

D. Knowledge management and communication

54. IFAD has had an explicit communication strategy in Uganda since 2008. Individual programmes also have their own communication strategies and specific expertise. These endeavours will be strengthened under the current COSOP.

55. Further effort will be devoted to ensuring that knowledge management is mainstreamed into the country programme, with the aim of facilitating cross-programme and peer-to-peer learning and exchange; promoting the documentation of lessons and good practices; and providing inputs for pro-poor policy dialogue. Investment in knowledge management will focus primarily on the priority areas identified at country programme level for innovation and scaling up (see section IV.C) and policy dialogue (see section IV.E).

56. The key tools will be: (i) the COSOP and project monitoring systems as source of information; (ii) the knowledge management strategies and capacities developed at project level; (iii) the UCT and Country Programme Management Team as forums for

sharing and discussion; and (iv) cross-learning and peer-to-peer exchanges within and among projects.

E. PBAS financing framework

57. Uganda is eligible for financing on the basis of highly concessional loans. The current COSOP will cover two PBAS cycles, 2013-2015 and 2016-2018. The resources available for new investments during this period are estimated at US$130 million.[4] Two investment options have already been identified for the first cycle: (i) PROFIRA, to be financed with an IFAD loan of about US$30 million and expected to start in early 2014; and (ii) PRELNOR, planned to start in 2015 and to be financed with an IFAD loan of about US$30 million, ASAP financing of about US$10 million and further cofinancing of US$10 million.[5]

F. Risks and risk management

58. Some key risks that could undermine the achievement of the COSOP strategic objectives are the following:

- The "Dutch disease" resulting from the oil boom could undermine the competitiveness of Ugandan tradable agricultural products. Investing oil revenues in public rural infrastructure and services is among the most attractive and sustainable options to mitigate this risk. IFAD will continuously monitor this risk and adapt its investment strategy in affected sectors accordingly.
- There are continuing risks associated with rainfall variability, extreme climate events, deforestation and climate change. IFAD will work with other donors to monitor these issues and will mitigate them by careful selection of project areas, promotion of climate-resilient agriculture as well as adaptation measures for agricultural investment.
- Changes to agreed-upon policies can affect the implementation environment for ongoing IFAD programmes. IFAD will maintain a constant dialogue with relevant authorities to ensure the conduciveness of the policy framework for the long-term sustainability of its investment. Mitigation measures and safeguards will be introduced and negotiated with the Government at project design.
- While Ugandan's rating on corruption from Transparency International shows improvement, governance for IFAD-financed projects will continue to be thoroughly scrutinized through regular assessments of the financial management and procurement systems of the implementing agencies. Appropriate mitigation measures will be introduced as and when necessary.

[4] See appendix 5 for the PBAS calculation.
[5] See appendix 6 for the concept notes.

COSOP consultation process

1. The preparation of the 2013-18 COSOP has been built around the Country Programme Evaluation (CPE), the first one for Uganda, which was carried out by the IFAD Independent Office of Evaluation (IOE) in 2011 and completed in July 2012 with a national stakeholder workshop held in Kampala, which saw the participation of high-level representatives from Government institutions, IFAD senior management, development partners, private sector, rural organizations, civil society, academic and research institutions and other key resource persons.

2. The actual formulation of the COSOP document was undertaken in 2012 by the IFAD country team, including headquarter and country office staff, with support from some colleagues from the IFAD Policy, Technical and Advisory Division (PTA) who contributed to some sections of the document. The key sources of information have been the review of government reports and policy papers, other key documents from development partners and research institutions, and a series of in-country meetings with national authorities, development partners, rural organizations, research institutions, and other resource persons. A specific meeting of the in-country Country Programme Management Team (CPMT), which is composed by the coordinators and some key staff from IFAD-funded projects, was also organized in the first quarter of 2012 to draw practical and operational lessons from the on-going portfolio.

3. A *Uganda COSOP Team (UCT)* was established in early 2012, with the mandate to steer the COSOP preparation process and, subsequently, monitor and review its implementation. The UCT is composed of representatives of the in-country CPMT along with representatives from the following public institutions: Ministry of Finance, Planning and Economic Development (MFPED); Ministry of Agricultural, Animal Industry and Fisheries (MAAIF); Ministry of Local Government (MOLG); and the Plan for the Modernisation (PMA) Secretariat of MAAIF; and the Ministry of Gender, Labour and community Development. Representatives of rural organizations (UCA, UNFFE and UCSCU) and private sector (Uganda National Agro-Dealers Association – UNADA, and Association of Micro-Finance Institutions of Uganda - AMFIU) are also members of the UCT. The UCT main functions are to:

   - Provide guidance to the process in view of national policies and strategies;
   - Review draft documents and provide feedback during the COSOP preparation and review process;
   - Build ownership and understanding of IFAD’s strategic priorities and operational modalities in Uganda, among Government and other stakeholders, and;
   - Validate the final COSOP document following IFAD’s internal review process.

4. An IFAD HQ CPMT, composed of colleagues from different divisions of IFAD, has been set up to review the different drafts of the document and provide comments and guidance throughout the formulation process. The first draft has been technically reviewed by the UCT and the IFAD HQ CPMT in September 2012 and then circulated to national stakeholders. A one-day stakeholder consultative workshop hosted by the UCT has been held in November 2012 in Kampala to obtain feedback and guidance from a wide range of national stakeholders, which included representatives from Government institutions, civil society, rural organisations, development partners, private sector, research institutions and other resource persons. A second draft of the COSOP was submitted for external review by peer reviewers in December 2012.

5. The COSOP, incorporating all comments and suggestions received during the various review steps was submitted to IFAD Senior Management for approval in February 2013 and then presented to the IFAD Executive Board in April 2013.

Country economic background

COUNTRY DATA Uganda (World Bank, *World Development Indicators* database, CD ROM 2011-12)			
Land area (km2 thousand) 2009 1/	197	**GNI per capita (USD) 2009 1/**	460
Total population (million) 2009 1/	32.71	**GDP per capita growth (annual per cent per cent) 2009 1/**	4
Population density (people per km2) 2009 1/	166	**Inflation, consumer prices (annual per cent per cent) 2009 1/**	13
Local currency - Uganda Shilling (UGX)		**Exchange rate: USD 1 = 2,614.84** UGX	
Social Indicators		**Economic Indicators**	
Population growth (annual %) 2009 1/	3.3	GDP (USD million) 2009 1/	16 043
Crude birth rate (per thousand people) 2009 1/	46	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2009 1/	12	2000	5.6
Infant mortality rate (per thousand live births) 2009 1/	79	2009	7.1
Life expectancy at birth (years) 2009 1/	53		
		Sectoral distribution of GDP 2009 1/	
Total labour force (million) 2009 1/	14.13	% agriculture	24
Female labour force as % of total 2009 1/	47	% industry	26
		% manufacturing	8
Education		% services	50
School enrolment, primary (% gross) 2009 1/	84		
Adult illiteracy rate (% age 15 and above) 2009 1/	69%	Consumption 2009 1/	
		General government final consumption expenditure (as % of GDP)	11
Nutrition		Household final consumption expenditure, etc. (as % of GDP)	76
Daily calorie supply per capita	1971	Gross domestic savings (as % of GDP)	13
Malnutrition prevalence, height for age (% of children under 5) 2006 1/	39		
Malnutrition prevalence, weight for age (% of children under 5) 2006 1/	16	**Balance of Payments (USD million)**	
		Merchandise exports 2009 1/	2 478
Health		Merchandise imports 2009 1/	4 310
Health expenditure, total (as % of GDP) 2009 1/	8.2	Balance of merchandise trade	-1 832
Physicians (per thousand people) 2008 1/	n/a		
Population using improved water sources (%) 2008 1/	67	Current account balances (USD million)	
Population using adequate sanitation facilities (%) 2008 1/	48	before official transfers 2009 1/	-1 964
		after official transfers 2009 1/	-451
Agriculture and Food		Foreign direct investment, net 2009 1/	604
Food imports (% of merchandise imports) 2008 1/	13		
Fertilizer consumption (kilograms per ha of arable land) 2008 1/	1	**Government Finance**	
Food production index (1999-01=100) 2009 1/	112	Cash surplus/deficit (as % of GDP) 2009 1/	-1
Cereal yield (kg per ha) 2009 1/	1 539	Total expense (% of GDP) a/ 2009 1/	14
		Present value of external debt (as % of GNI) 2009 1/	8
Land Use		Total debt service (% of GNI) 2009 1/	0
Arable land as % of land area 2008 1/	29		
Forest area as % of total land area 2006 1/	18.0	Lending interest rate (%) 2009 1/	21
Agricultural irrigated land as % of total agric. land 2008 1/	Negligible	Deposit interest rate (%) 2009 1/	13
a/ Indicator replaces "Total expenditure" used previously.			

COSOP results management framework 2013-2018

Country strategy alignment	**Key Results for IFAD – Uganda COSOP** *Goal: to increase the income, improve the food security and reduce the vulnerability of the rural households living in poverty.* **Strategic obj.**	**Outcome indicators**	**Milestone Indicators**	**Institut./Policy objectives** **Policy dialogue**
NDP Vision: a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years. Specifically: - Increasing household incomes and promoting equality - Increasing agricultural production and productivity - Enhancing human capital - Enhancing the quality and availability of gainful employment - Improving the stock and quality of economic infrastructure - Promoting sustainable use of the environment and natural resources	SO1: The production, productivity and climate resilience of smallholder agriculture is sustainably increased.	• Increased agricultural production (*) - of oilseeds from 70 000 mt in 2008 to 150 000 mt by 2018 [VODP2] - Average yields increased by 7% (2015) and 15% (2017) [ATAAS] • Hectares of land improved through SLM and other soil/water conservation techniques (*) - 6000 additional ha by 2015 and 11000 ha by 2017 [ATAAS] - # additional ha [PRELNOR]	• 1.8 M farmers trained in crop prod. practices/technologies by 2018 (*): - 140 000 receiving ext serv. for oilseeds by 2018 [VODP2] - 2 800 receiving ext. services oil palm by 2018 [VODP2] - 17 280 mentored HHs trained in farming skills by 2015 [DLSP] - Nat. ext. services benefitting 1.43 M farmers per year 2013-17 [ATAAS] - # receiving ext. services by 2018 [PRELNOR] • 326 500 farmers applying SLM techniques by 2018: - 60% of 140 000 (30% w) trained applying techniques by 2018 [VODP2] - 10% of 1.71 million beneficiaries applying techniques by 2017 [ATAAS] - x% of # (30% w) trained applying techniques by 2018 [PRELNOR] • No of households with long-term tenure security of land and other natural resources (*): - 10% of HHs registered with land certificate in 2015 [DLSP] - 25 000 individuals sensitised in land tenure rights [DLSP]	• Re-orientation of NAADS from distribution of subsidized agricultural inputs to provision of advisory services. • Enhance poverty targeting and inclusion in provision of advisory services under NAADS.
	SO2: The integration of smallholders into the markets is enhanced.	• Likelihood of sustainability of the productive infrastructure (*) • Producers benefitting from improved market access (*) • Increased farm gate prices [VODP2]: - Net earning per ha of US$ 1 000 for oil palm farmers - Net earning per ha of US$350 for oilseed farmers • Likelihood of sustainability of organisations (*)	• Km of community access and other roads completed - 2 400 km of community access roads opened/rehabilitated [DLSP] - # km of community access roads opened/rehabilitated [PRELNOR] • Marketed amounts increased - Production from 7000 ha oil palm marketed by 2018 [VODP2] - Farm prod. marketed increased from 25% to 35% by 2017 [ATAAS] • Linkages between agribusiness and smallholders increased - No of PPP's for market linkages at 300 in 2016 [ATAAS] - No. farmers linked to priv. sect. in oil palm/oilseeds by 2018 [VODP2] • Farmers' organisations strengthened (*) - KOPGT self-sustain. by 2016, BOPGT 75% self-sustain. by 2018 [VODP2] - No of FOs strengthened [PRELNOR]	• Support the establishment of a sustainable institutional framework for smallholder oil palm growers' organizations (KOPGT and BOPGT)
	SO3: The access to and use of financial services by the rural population are sustainably increased	• Supported SACCOs sustainable (*) - 75% of supported SACCOs sustainable by end of project [PROFIRA] • Community savings and credit groups (CSCG) sustainable (*) 80% of VSLAs still operational after 3 years [PROFIRA]	• Number of beneficiaries saving and borrowing (*) - 180 000 additional active members of SACCOs (50% w) by end of project [PROFIRA] - 375 000 project beneficiaries actively saving and borrowing in savings and credit groups (70% women; 15% youth) by end of project [PROFIRA]	• Support setting of appropriate policy/regulatory framework for: (i) Tier IV instit.; and (ii) CSCGs. • Support a sustainable apex body for SACCOs

CPE Agreement at Completion Point

A. Background

1. The Independent Office of Evaluation (IOE) undertook a Country Programme Evaluation (CPE) during 2011-2012, the first CPE carried out by IFAD in Uganda since the Fund began operations in 1981. The main objective was to assess the performance and impact of IFAD's operations, findings from which would serve as input for the preparation of the new Uganda Country Strategic Opportunities Programme (COSOP), IFAD's country strategy, which will be prepared by the Fund's East and Southern Africa (ESA) Division and the Government of Uganda (GoU) following the completion of the CPE.

2. This Agreement at Completion Point (ACP) contains a summary of the CPE's main findings and recommendations and also draws on the main points emerging from the CPE national roundtable workshop held in Kampala on 12 July 2012. As decided by the Executive Board, the ACP will be attached as an Annex to the new Uganda COSOP, which is expected to be presented to the EB for consideration in April 2013.

3. The ACP has been reached between the IFAD Management (represented by the Programme Management Department) and GoU (represented by the Ministry of Finance, Planning and Economic Development), and reflects their understanding of the main findings from the CPE (see Section B below) as well as their commitment to adopt and implement the key recommendations within specified timeframes, as agreed in section C of this document.

B. Main Evaluation Findings

4. IFAD has played an important role in supporting GoU in its efforts to reduce rural poverty in different parts of Uganda. The Fund is highly regarded by GoU and other development partners for its focus on the rural poor and for having contributed to decentralised development processes and to improving incomes among the target groups, thus enabling them to have better lives and food security. A key distinguishing accomplishment for which both IFAD and GoU must be commended is the promotion of public-private sector partnerships in the oil palm sub-sector, which can be considered innovative and far-reaching. It is in fact the first such partnership of a large magnitude in the agriculture sector in Uganda and for IFAD.

5. IFAD-supported strategy and operations were relevant and aligned to GoU's Poverty Eradication Action Plan (PEAP) and the Plan for Modernisation of Agriculture (PMA), which determined the trend of IFAD-GoU engagement during 1997-2007/08. This framework targeted the poor and focused on the commercialisation of smallholder farming, emphasising the role of markets and the private sector as well as the decentralisation of public services. Since 2006, changes in government policy and strategy, particularly within rural finance and agricultural advisory services, have caused debate and challenges for alignment.

6. The CPE concludes that the effectiveness of the COSOP has been moderately unsatisfactory, noting that, measured against the targets in the 2004 COSOP logical framework, sector-wide programmes joining government and donor efforts for promotion of sustainable rural financial services for the poor and access to land and markets have not been fully developed. Furthermore, though foreseen in the 1998 and 2004 COSOPs, IFAD did not engage in any poverty reduction intervention in northern Uganda, apart from some support through the Vegetable Oil Development Project. This was due to serious security issues during the civil conflict, before the peace agreement in 2006, and any engagement was severely constrained, though security is now restored. After years of devastating conflict, northern Uganda is now faced with the highest level of poverty and troubling social indicators. The region has a large poorly-educated and unskilled population of youth (raised in camps) who need to be actively engaged in economic activities, to promote economic development and safeguard national unity and peace.

7. The major part of the IFAD loan portfolio has directly or indirectly supported the strategy of PMA to commercialise smallholder agriculture. Any commercialisation process involves winners and losers, as recognised in the PMA, and some illiterate subsistence farmers may have limited potential for delivering the quantity and quality of produce required by a value chain or for joining grassroots financial institutions. This issue has been recognised by GoU and IFAD, who have initiated a commendable and promising pilot intervention in the District Livelihoods Support Programme to mentor vulnerable households into mainstream development. Changes to the approach in the National Agricultural Advisory Services project introduced in 2007 moved towards a targeting strategy that prioritised support for model and nucleus farmers to lead and assist poorer smallholder farmers. After 2006, a change in GoU strategy for rural finance led to the exclusive focus in the Rural Financial Services Project on development of Savings and Credit Cooperatives (SACCOs), effectively closing the door to directly working with informal grassroots institutions, such as Village Savings and Loans Associations (VSLAs), which serve many of the poorest households, and women in particular. IFAD has assisted VSLAs through grant assistance for Uganda Women's Efforts to Save Orphans (UWESO).

8. The CPE found limited synergies among different projects and also within the local government-executed rural development projects; for example, some of the operations supported a community access road in one sub-county, introduced pineapple production in another sub-county, and a maize mill in a third sub-county, without sufficient consideration for their integration. Similarly, the development of SACCOs has not been directly linked to economic activities, but followed an administrative target of setting up one SACCO per sub-county. Support for the oil seed sub-sector has better integrated the different project activities.

9. In addition to the innovative partnership with the private sector for oil palm, IFAD has a strong partnership with the Government and has started to develop solid collaboration with grassroots organisations for rural finance and oil palm development. IFAD has smooth communication and cooperation with several Government institutions, although the CPE underlines there might be scope for further strengthening the role of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), so that it plays a more central role in promoting smallholder agricultural development. The Fund has developed good partnerships with key multilateral and bi-lateral organisations, such as the World Bank and African Development Bank. Partnership with FAO and WFP has however been on the whole lacking. Opportunities for cooperation with the other Rome-based food and agriculture UN agencies could be explored more proactively in the future.

10. IFAD made a fairly useful contribution to policy dialogue till around 2006, for instance, by taking part in a number of donor working groups and government policy processes (e.g., the development of the Plan for Modernisation of Agriculture). However, it has had less opportunity to get involved in policy dialogue in recent years, largely due to the need to focus more on direct supervision and implementation support introduced in 2007. Another reason for moderately satisfactory results in policy dialogue relates to the ambitious objectives set in the COSOPs, which did not adequately take into consideration the level of human resources at IFAD's disposal to ensure effectiveness in this area.

11. Knowledge Management (KM) did not receive much space in the two Uganda COSOPs of 1998 and 2004, but more attention has been devoted in recent years. Greater emphasis has been given to KM activities since 2006, such as by the establishment of the Country Programme Management Team (CPMT) that facilitated exchange of knowledge among key partners, development of fact sheets about IFAD-supported activities in Uganda and, more recently, the hiring of a Knowledge Management and Communication Consultant in the IFAD Country Office in Kampala. KM also gained more momentum in recent years with the hiring of a dedicated knowledge management expert in ESA at IFAD headquarters in Rome, who has, among other

activities, assisted in organising thematic workshops and related learning events also covering the Uganda country programme.

12. Portfolio performance is by and large satisfactory. IFAD-assisted projects have delivered results, especially in small-scale infrastructure, crop development (e.g., sunflower, oil palm), extension and advisory services, gender mainstreaming, and strengthening of community organisations. Overall, apart from one of the nine projects covered by the CPE, the overall achievement of all projects in Uganda are moderately satisfactory, with opportunities for further improvements in some areas.

13. Sustainability received the lowest rating across the portfolio. Sustainability indicators for the SACCOs and their apex organisation are weak. Some community access roads are not being adequately maintained. Some of the agro-processing facilities supported through matching grants and leasing arrangements have not been accompanied by sufficient investments in developing the entrepreneurial, management and technical skills for the operation of the facilities. There are also other concerns related to sustainability, such as the lack of clarity of institutional arrangements and responsibilities for post-project upkeep.

14. There are some challenges related to Country Programme Management. The IFAD Country Programme Manager (CPM) for Uganda is based in Rome, with a national Country Programme Officer (CPO) located in Kampala since around 2006. The Kampala office also includes an Associate CPM deployed in 2011. The main concern raised by the evaluation regarding country programme management is the relatively limited time and resources available to IFAD staff to make a serious contribution to policy dialogue, KM and partnership building, which combined are essential ingredients for IFAD's scaling up agenda. One of the reasons for this is the substantial increase in time and effort (since 2007) required for direct supervision and implementation support for the four projects directly supervised by IFAD, including attention to processing withdrawal applications and ensuring due diligence of procurement activities.

15. Although direct supervision and implementation support is highly appreciated by GoU and other partners, the risk is that direct supervision changes the balance in favour of administration, financial management and procurement at the cost of the developmental work and expertise that government clearly seeks from IFAD. The CPE notes that direct supervision and implementation support contributes to better knowledge among IFAD staff of the ground realities, which can contribute to strengthening the Fund's effectiveness in conducting evidence-based policy dialogue. However, more time and space will have to be devoted in individual work plans for deeper engagement in policy processes.

16. Given the evolution of IFAD's operating model in the past few years, the particularly large portfolio, the vibrant donor community at country level, and the need for more active and timely follow-up, dialogue and communication with partners and stakeholders, the CPE considers that IFAD should strengthen its Country Office, including consideringthe outposting to Kampala of the Uganda CPM, currently based at IFAD headquarters in Rome. .

17. Finally, with regard to portfolio management, given the country risks related to accountability and adherence to good practice procedures for financial management in general, this is an area that will merit serious consideration moving forward.

C. Recommendations

18. Based on the findings and the analysis summarised above, the CPE presents five recommendations. GoU and IFAD Programme Management Department agreement on how these recommendations will be implemented are outlined below.

Recommendation 1: Expansion of the geographic coverage of IFAD operations to the northern region

19. The CPE recommends that, during the COSOP preparation process, IFAD and GoU identify and discuss the opportunities and constraints of investments in the northern region. Depending on the outcome of this analysis, as well as on the evolution of the region's rapidly evolving socio-economic situation over the next few years, this could be done under the overall coordinating framework of the Peace, Recovery and Development Plan, recently extended for another 3 years up to end-2015, as well as through investment project(s) that broadly contribute to furthering the development of the region, such as the on-going investment in the oilseeds sub-sector under VODP2.

20. The rationale for IFAD investment in the north is primarily justified by the very high poverty incidence in the region, where 80% of the population is living under the poverty line and is recovering from a conflict situation. However, as discussed in the CPE stakeholders' workshop, considerable aid investment is being planned for that area of the country over the next few years. IFAD and GoU will continue discussions on whether or not an IFAD investment is justified in view of the evolving situation in the north. Alternatively, IFAD investment would be directed towards other areas of the country, always following poverty criteria, such as the eastern region, where the greatest number of poor people is found and the poverty density is 8 to 10 times higher than in the north, due to higher population density, although only about 20% of the population is living under the poverty line**.**

21. **Deadline**: Investment opportunities identified and agreed as part of the COSOP 2013-18, with envisaged financing from IFAD 2013-15 Performance-Based Allocation for Uganda.

22. **Responsible Entity:** IFAD and GoU**.**

Recommendation 2: Support to commodity value chain development

23. Building on the success of VODP and its innovative public-private partnership, the CPE recommends that IFAD and GoU explore opportunities for promoting value chain development in specific sub-sectors in Uganda. In particular, it is recommended that during the COSOP preparation process, IFAD and GoU undertake a thorough analysis to determine which commodity value chain should be given priority. Moreover, the CPE recommends that efforts should be invested in exploring additional and alternative forms of public-private sector partnerships (PPPs) at different stages in the value chain, including with small and medium enterprises, commercial banks, as well as with larger private sector entities.

24. In the framework of the Agricultural Sector Development Strategy and Investment Plan (DSIP) – 2010/11-2014/15, MAAIF, with support from and in consultation with the development partners engaged in the agricultural sector, has undertaken a thorough analysis of various crops and sub-sectors to identify their economic potential. The results of this analysis provide orientations to GoU and development partners, including IFAD, for future investment in agriculture. In addition to continuing investments in the vegetable oil sub-sector (oil palm and oil seeds) as a priority, IFAD and GoU will identify other opportunities for investment in specific crops and value chains, based on the results of the above analysis, the agro-ecological potential of the selected geographic area of intervention and the expected pro-poor impact. This work will be undertaken during 2013-15, in line with the timetable of the on-going dialogue between GoU and development partners, in which IFAD is participating. PPPs will be given a prominent role at strategic level in the elaboration of the COSOP. Concrete PPPs opportunities will be identified and developed at design stage.

25. **Deadline**: Prominence given to value-chain approach and PPPs at strategic level in COSOP 2013-18. Identification of concrete opportunities for commodity/value-chain development and PPPs at design stage as appropriate.

26. **Responsible Entity**: IFAD and GoU

Recommendation 3: Definition of a realistic and appropriately resourced agenda for policy dialogue

27. The CPE recommends that, during the preparation of the next COSOP, IFAD and GoU define realistic objectives for policy dialogue and specify areas where IFAD will play a lead supportive role, in partnership with other development partners, to improve the agriculture-related policy environment. In this context, "policies" should be broadly perceived to include laws and regulations, national policies/strategies in agriculture and rural development, institutions and their functions, or just approaches and ways of doing things. The development of a joint policy dialogue agenda should be supported by relevant analyses and should largely focus on areas where IFAD can contribute relevant experiences from its work in Uganda and other countries.

28. Specific areas for policy dialogue will be identified as part of the COSOP formulation process. As the policy environment is constantly evolving, additional areas for policy dialogue will be identified during COSOP implementation, and COSOP annual reviews will be the opportunity to review and adjust the objectives.

29. **Deadline:** Identification of areas for institutional and policy dialogue as part of COSOP 2013-18.

30. **Responsible Entity**: IFAD and GoU

Recommendation 4: Further strengthening of project results

31. The CPE identifies specific measures that IFAD and GoU can implement to ensure the further improvement in project results, from moderately satisfactory to satisfactory or highly satisfactory in the future. This would also contribute to enhancing COSOP level effectiveness. The following four areas need particular attention to improve the results in the future: (i) ensuring due synergies among activities within and across projects financed by IFAD in Uganda, so that they can contribute to even more positively impacting on the lives of the rural poor; (ii) increased focus on enhancing results in two impact domains where the CPE found performance to be overall moderately unsatisfactory; namely, natural resources and environmental management, as well as human and social capital and empowerment; (iii) improving the sustainability of project benefits by, *inter-alia,* preparing exit strategies early on in implementation, as well as strengthening capacity of key institutions; and (iv) paying more systematic attention to ensuring scaling up of innovations that have been successfully implemented in the context of IFAD-financed projects.

32. The above issues will be given high priority during the next COSOP period (2013-18), both at strategic (COSOP elaboration and annual reviews) and operational level (project design and implementation).

33. **Deadline:** Continuous during next COSOP period

34. **Responsible Entity**: IFAD and GoU

Recommendation 5: Functional and workload analysis as a basis for determining staff requirements and division of labour

35. The CPE recommends that IFAD undertake a functional and workload analysis to determine the administrative resources required to ensure that the next COSOP objectives are achieved in a timely manner. This entails assessing the human and budgetary resources available for managing the Uganda country programme, including for financial management and procurement purposes. The role and responsibilities of the IFAD divisions at headquarters in Rome involved in supporting the Uganda country programme should also be clarified and defined. As part of this process, the CPE recommends that IFAD actively consider strengthening the Uganda country office, including outposting the Uganda CPM.

36. IFAD is already undertaking an overall corporate process of functional and workload analysis, including at country office level, which is expected to produce a

comprehensive Strategic Workforce Plan (SWP). The results of this analysis will be used to assess the adequacy of the human resources available at country office level, review the division of labour in the country office and decide on an adequate annual budget allocation to ensure the achievement of the next COSOP objectives.

37. **Deadline**: Following the completion of IFAD corporate job audit and approval of SWP.

38. **Responsible Entity**: IFAD

Signed by:
H. E. Maria Kiwanuka
Minister of Finance, Planning and Economic Development
Republic of Uganda

____ **Date:**

and

Kevin Cleaver
Associate Vice President
Programme Management Department
IFAD

____ **Date:**

PBAS Calculation for COSOP Year 1

Table 1 **PBAS calculation for COSOP year 1**

	Indicators	*Scores*
A(i)	Policy and legal framework for rural organizations	4.25
A(ii)	Dialogue between government and rural organizations	4.25
B(i)	Access to land	4.5
B(ii)	Access to water for agriculture	3.5
B(iii)	Access to agricultural research and extension services	4.33
C(i)	Enabling conditions for rural financial services development	3.75
C(ii)	Investment climate for rural businesses	4
C(iii)	Access to agricultural input and produce markets	4
D(i)	Access to education in rural areas	4.75
D(ii)	Representation	4.67
E(i)	Allocation and management of public resources for rural development	4.5
E(ii)	Accountability, transparency and corruption in rural areas	3.75
	Sum of combined scores	184
	Average of combined scores	**4.19**
	PAR rating 2012	5
	IRAI rating 2011	3.77
	Annual allocation 2013 (US$ million)	22.44

Table 2 **Relationship between performance indicators and country score**

Financing scenario	*PAR rating (+/- 1)*	*Rural sector performance score (+/- 0.3)*	*Percentage change in PBAS country score*
Hypothetical low case	4	3.89	-21%
Base case	5	4.19	0%
Hypothetical high case	6	4.49	23%

Project Pipeline during the COSOP Period
Concept Note 1
Project for Financial Inclusion in Rural Areas (PROFIRA)
A. Justification and Rationale

1. Formal financial service providers still reach less than 25% of the rural population of Uganda, while almost 50% use informal financial arrangements and more than 30% remain unbanked. In this situation, financial inclusion is a key element of any strategy aimed at reducing poverty in rural areas. At the same time, in addition to basic inclusion, there is a parallel need for improved and more diversified services to rural clients, to support the transformation of the rural economy.

2. Financial inclusion is one of the key pillars of Uganda's efforts to eradicate poverty and stimulate rural growth. It is thus expected to constitute a key cornerstone of the new rural finance strategy being elaborated by MFPED. For the IFAD Strategic Framework 2011-2015, increasing the capacity of different kinds of financial institutions to provide a broad range of financial services is one of the key instruments to enable poor rural people to overcome poverty. Consistently, the new IFAD Country Strategic Opportunities Programme (COSOP), currently under elaboration, identifies the increased access of the rural population to financial services as a key strategic objective.

3. Against the above background, there are a number of opportunities and developments in the Ugandan financial sector that justify IFAD investment:

   - The new strategic and policy framework, currently being finalized, is expected to be oriented towards a market-driven development of the sector. BoU's recent growing interest on the microfinance sector for financial inclusion provides important investment and partnership opportunities in critical areas for IFAD such as financial literacy, financial customer protection and financial innovation. Furthermore, the Government has finally realized the importance of regulating the lower end of the financial service supply and MFPED has recently presented to the Cabinet a paper on Tier 4 regulation.

   - Financial institutions are showing increasing interest in expanding their outreach to rural areas. Some tier 1 and 2 institutions are developing interesting approaches in rural operations. While the growth of MDIs and credit-only MFIs has been slower than expected, partly due to the non-supportive policy framework of the last few years, many of them are in good financial condition and have aggressive plans for rural expansion. Rural SACCOs have substantially increased outreach, while sustainability represents a potential challenge. Community-based savings and credit mechanisms have had a positive impact on financial inclusion and offer tremendous opportunities for scaling up.

   - There is a large number of local organisations focusing on providing support to rural and microfinance operations. Support to the demand of capacity building services from MFIs and SACCOs is likely to vitalise the operations of these providers and improve the quality of their capacity building products.

   - Various support instruments, in which IFAD commonly invests in Sub-Saharan Africa, are already operational in Uganda with adequate funding from other donors or local support organisations. These include guarantee funds to expand rural portfolios and credit lines to boost agricultural lending.

4. The implementation of RFSP has generated a number of lessons learned, which have created a consensus the Government and IFAD on how to continue to jointly support financial inclusion through: a diversified supply of financial services to respond to the different needs; working with different implementing partners for better quality services and wider impact; ensuring an appropriate regulatory framework for Tier 4

institutions in the interests of their sustainability and of safeguarding the savings of poor people; promoting member-based financial institutions as the first point of entry to financial services for a large segment of the rural population; safeguarding the savings-first nature of community-based financial institutions; and pursuing outreach through sustainability of the supported institutions.

5. The new project would also be an opportunity to respond to some of the key conclusions and recommendations of the recently concluded Country Programme Evaluation, which emphasized the need to: improve synergies among projects financed by IFAD in Uganda; support the development of evidence-based policy dialogue; focus on human and social capital/empowerment; prioritize areas with high poverty incidence and density, such as the northern region; and explore additional forms of public-private sector partnerships.

6. The GoU and IFAD have therefore agreed to jointly design a new intervention supporting the development of rural financial services for financial inclusion. The timing is opportune for a project that builds on such earlier support interventions as RFSP, but at the same time reflects the changing policies and market conditions in Uganda. The proposed Project for Financial Inclusion in Rural Areas (PROFIRA) is planned as a seven-year intervention, with the implementation starting at the beginning of 2014.

B. Geographic Area and Target Groups

7. PROFIRA would be a national project in scope, supporting improved access to appropriate financial services in all rural districts in Uganda. The target group would be the low-income population living in the rural areas and having no or limited access to financial services. While some investments of the project would be specifically targeted to those areas where the poverty incidence or density is higher, such as the northern and eastern regions, some other investments will follow a purely demand-driven approach and will thus not be geographically targeted. Innovative project activities are likely to be initially piloted in the more dynamic zones of the country where there is a greater amount of trade, business and rural economic activity. Mechanisms will be envisaged to ensure a relatively even geographical spread.

C. Key Programme Objectives

8. The <u>development goal</u> of PROFIRA is *to increase income, improve food security and nutrition, and reduce vulnerability of the rural population*. Central to achieving this goal and as the <u>overall objective</u> of the Programme, PROFIRA would *improve access to and use of appropriate and sustainable financial services by the rural population*. Three main <u>outcomes</u> are expected: (i) a*t least 40,000 new savings and credit groups created and* sustainably *providing services to their members;* an incremental 800,000 to 1 million members (at least 60% women) would be reached, which would represent a substantial scaling-up of a methodology that is estimated to currently benefit about 300,000 people; (ii) a*t least 300 existing SACCOs supported to improve their operations and sustainably provide services to their members;* while this target represents only about 50% of the SACCOs currently supported through RFSP, the scaling-up element will be in the increase of membership of the individual SACCOs, from the current estimated 700 to 2,000 members meaning at least 600,000 members (50% women), of which 60% would be new members; and (iii) *new and innovative approaches and products for the provision of appropriate financial services to rural areas identified, tested and mainstreamed by financial service providers;* at such an early stage of the design process, it is indicatively estimated that an incremental 500-600,000 clients will be reached through this component.

D. Ownership, Harmonization and Alignment

9. **Government.** PROFIRA is fully aligned with the overall strategic framework set by the NDP. Enhancing access to financial services in rural areas is a key building block of the strategy of the Government to transform Uganda from a peasant to a modern society, in particular given the key role expected to be played by the private sector in this respect. While PROFIRA is not aligned with the current official RFSS, due to the exclusive focus of the latter on SACCOs, there is large consensus among senior policy makers that this strategy is obsolete and that the ongoing process of review will produce new strategic orientations based on a more market-oriented approach, emphasising the use of various types of microfinance delivery channels and institutions for increased rural outreach as well as the focus on institutional sustainability. These are the key principles driving the design of PROFIRA. Continuous dialogue with policy makers will be maintained to ensure that the design of PROFIRA will be fully aligned with the new rural finance strategy, expected to be approved by the last quarter of 2012.

10. Development partners. The engagement of development partners in the rural finance and microfinance sectors has been influenced by the pattern of policy changes during the last decade. While by the early 2000s, several development partners were very active, encouraged by a conducive policy framework, most of them, with the notable exception of IFAD, gradually withdrew after the policy change in 2006-07. The current indications about the likely return to a more market-oriented policy framework, have made the key development partners to clearly re-gaining interest in the sector. Various large-scale support programmes, including from WB, DfID, USAID, GIZ and EU are currently in the planning or early implementation stages and most of them will be implemented during roughly the same period as PROFIRA. This creates opportunities for partnerships that will be further explored during design. At the same time, there is an increasing need for coordination among development partners and with the Government. In this respect, the current Private Sector Development Partners' Group, of which IFAD is an active member, is expected to play an important role, perhaps through the creation a special group on rural finance Similarly, a revitalization of the Microfinance Forum (MFF) chaired by the MFPED and very active in the early 2000s is expected to create the space for dialogue among the different stakeholders.

E. Components and Activities

11. PROFIRA would consist of three main components plus one component dedicated to programme management (see below section H).

12. ***Component 1:*** *Support to Community-Based Financial Mechanisms.* In support of Government's financial inclusion targets, PROFIRA would make a large-scale investment in scaling up the establishment of community-based financial institutions following the Village Savings and Loan *Association* (VSLA) model, a methodology that has proven particularly popular and successful. VSLAs promote group-based savings and loans at a level of intermediation that is too low for more formal financial institutions. Groups decide on their own savings and loan terms with no injection of external funds. They are considered excellent first entry points for the rural population to financial services, from which the members can then graduate to more advanced services by formal institutions. Project funds would be used to commission professional service providers, selected through competitive bidding, to establish sustainable VSLAs in a given geographic area. There are over ten operators in Uganda that establish VSLAs on a contract basis, many of which have the capacity to expand the volume of their operations. At the same time the project would proactively work to attract more formal institutions to link with these groups to offer more advanced financial services.

13. ***Component 2:*** *SACCO Capacity Building Fund***.** Under RFSP, large-scale support has been provided to SACCO development in Uganda. The experience of the past few

years has shown that SACCOs have an important role to play in financial intermediation in the rural areas, and in the past few years their outreach has increased in rural communities. However, there is a clear need to focus any future assistance to those SACCOs that show genuine potential for sustainable operations. The support method for the SACCO sector needs also to be revisited, moving away from the *current* one-agency approach to a situation in which the SACCOs would have more flexibility when selecting the agencies for their capacity building and institutional development operations. A SACCO Capacity Building Fund would thus be established to provide matching grants to those SACCOs that fulfil some criteria for performance and sustainability. These matching grants would be used to procure from the market capacity building services tailored to the needs of the beneficiary SACCOs. Detailed procedures and eligibility and funding criteria for the capacity building grants would be developed during the design process.

14. ***Component 3:*** *Rural Innovation and Outreach Fund (RIOF)****.*** To stimulate rural finance innovations and increase the presence of the financial service providers in rural areas, the RIOF would provide matching grants to any types of financial service providers based on project proposals to develop innovative approaches/products that target rural areas and to expand their service provision in currently underserved rural areas. Discussions with the stakeholders in the rural finance sector indicate that the demand for the RIOF support would be strong. Matching grants would be approved based on transparent calls for concept notes followed by detailed proposals by the selected applicants. Upon approval of a grant, a Memorandum of Understanding would be signed, detailing the obligations of the grant recipient and the project in the implementation of the activity/project. Detailed eligibility, funding criteria and guidelines would be developed during the design process.

15. As the processes influencing the rural and microfinance strategic and policy frameworks are adequately supported by other donor organisations, no specific policy support component or sub-component has been envisaged at this stage. The opportunities for it will be further explored and discussed with GoU during the detailed design, especially in relation to the regulatory framework for Tier 4 institutions and the possible envisaged establishment of a Regulatory Authority. In any case, based on the positive experience of RFSP, PROFIRA will be designed to continuously provide evidence to stimulate relevant policy discussions and fora at national level.

F. Costs and Financing

16. The project costs would be elaborated as part of the detailed project design. IFAD financing would be USD 30 million from the PBA for Uganda for the cycle 2013-15, currently estimated at USD 70-80 million.

G. Organization and Management

17. The MFPED will be the lead implementing agency of PROFIRA. Following the same implementing arrangement used for RFSP the management of the project will be delegated to a professionally strong, competitively recruited project unit, set up as an independent body with its own powers and authority, but under the umbrella of and fully accountable to MFPED. The unit will assure the standard planning, coordination, monitoring, evaluation and financial management functions. Implementation of project activities would be through service providers and financial institutions on the basis of performance-based contracts. A project steering committee, chaired by MFPED and comprising representatives of both the GoU and the private sector, will be created to oversee project implementation.

H. Monitoring and Evaluation Indicators

18. A comprehensive M&E system would be elaborated during design and further refined at project inception with the aim of ensuring the generation of reliable information for timely and accurate planning and decision-making, as well as reporting on outcomes and impact. The system would be organized at three levels: outputs,

outcomes and impact (see Logframe in Annex 1). It will be fully consistent with the results framework being developed as part of the RB-COSOP elaboration.

I. Risks

19. The key risks identified at this stage of the design, as well the envisaged mitigation strategies, are discussed below:

- While policy-makers have confirmed that a new strategy, consistent with the basic design principles of PROFIRA, is being formulated, there is still some uncertainty in this respect. The Government's commitment to the project's implementation approach, although already formally agreed with MFPED senior management, will continue to be discussed during the design process as a condition to proceed to the final approval of the loan.
- The risk of political interference is present in any government-linked operation. This might adversely affect the operations of the supported financial institutions, in particular the community-based financial ones, such as SACCOs and savings and credit groups. The use of demand-driven selection mechanisms and private sector service providers as implementation agents is expected to reduce the risks of favouritism or political patronage.
- In Uganda's rural finance sector, it might be difficult to find adequate numbers of appropriate institutions to participate to the demand-based activities. At design, a relatively comprehensive survey of the institutions in the sector will indicate the likely demand for the services of the proposed demand-based components and will allow an appropriate sizing of the financial resources allocated to each component.

J. Timeframe

20. The proposed project design timeframe is as follows:

Sept 2012	OSC – Approval of Concept Note
Sept-Oct 2012	Detailed design
Dec 2012	QE
Jan-Feb 2013	Final Design
June 2013	QA
Sept 2013	EB Presentation

K. CPMT Composition

21. An in-house CPMT has already been established, with participation of the ESA Director, the Regional Economist, the PTA Lead Advisor, the officers from LEG and CFS in charge of Uganda and some CPMs from the region with experience in the country as well as in implementation of similar projects in other countries. The CPMT has already reviewed the Identification Report produced in June.

22. A Project Reference Group (in-country CPMT) has been established under the chairmanship of the Commissioner for Microfinance (MFPED), with participation of senior officers from key Government (BoU and MTIC), private sector (AMFIU, UCA, UCSCU and UBA) and development partners (representative of the Private Sector Development Partners' working group). The Group will steer the process of design and eventually constitute the basis for the future Project Steering Committee.

Concept Note 2
Programme for the Restoration of Livelihoods in the Northern Region (PRELNOR)

A. Justification and Rationale

1. IFAD investment in the North is primarily justified by the widespread poverty in the region, by far the poorest in Uganda, with poverty incidence consistently above 40% and in many districts exceeding 60%, thus well above the national average of 25%. The region is currently recovering from a conflict situation lasted more than 25 years, caused by the rebels of Lord's Resistance Army (LRA), with peace finally restored in 2009. In this respect, the new project would be consistent with one of the key recommendations of the recently concluded CPE, as reflected in the Agreement at Completion Point signed between IFAD and the Government of Uganda.

2. The region is one of the areas in the country most exposed to climate-related risks. At household level, Northern Uganda registers the highest percentage of households affected by more than one climate-related disaster, because of prolonged droughts and floods that have occurred concurrently in the region, with increased frequency in the recent years. Rainfall variability is also increasing, as is the overall temperature. All these climate-related factors are greatly impacting upon natural resources, agricultural production, water and the livelihoods of the communities.

3. In spite of the above, Northern Uganda presents great potential for climate resilient agricultural development as a pathway out of poverty. This is due to the following key factors: a) an average land holding of 10.5 acres per household compared to the national average of about 5 acres per household, which presents opportunities for expansion and diversification of agricultural production; b) fertile soils and reliable rainfall, which allow in most cases two cropping seasons, although in recent years the region has been subjected to increased risk of flooding and rainfall variability; c) the area is relatively flat with gentle rolling hills which, coupled with soft soils, present great potential for the development of appropriate technology, such as animal traction, although with a risk of increased erosion if not properly managed; and d) the accelerating regional trade to countries like South Sudan and the Democratic Republic of Congo.

4. IFAD, being a recognized lead agency in smallholder agricultural development, is well placed to promote investment and build community institutional capacity to lay the foundations for the process of structured development of agriculture in Northern Uganda on which other development partners can build. Over the years, IFAD has gained a wealth of experience that gives it a comparative advantage in these areas, vis-a-vis other partners. The proposed Programme will support the capacity building and institutional strengthening necessary for a long-term development of agriculture in the region. Given the importance of climate variability and change in the region, particular emphasis will be given to enhancing the climate-smart nature of farming systems, as well as to increase resilience to environmental pressures, through appropriate adaptation measures.

5. Some key lessons from the IFAD's experience in Africa and other parts of the world in designing programmes in post-conflict situations will be given due attention in the Programme: the need to ensure participation and consensus-building, in particular by encouraging beneficiary participation and ownership during the different stages of the project, from design to implementation, monitoring and evaluation; the importance of avoiding any discrimination against the resident populations in host areas in order to facilitate the process of social integration; proper focus on equity and gender; attention to employment promotion, particularly for young women and men; support for capacity building and training; implementation of infrastructure work maximizing community participation; strong coordination with other development partners investing in the area.

B. Geographic Area and Target Groups

6. The proposed programme area is broadly defined at this stage as the Northern Region of Uganda, a vast geographic area including more than 30 districts. The selection of the specific districts of intervention, expected to be a maximum of 6-8, will be done during the detailed design phase, taking into account criteria such as: poverty incidence and density; climate vulnerability; the degree of disruption of rural livelihoods caused by the conflict; the potential for development of smallholder agriculture; the complementarities and synergies with other development partners' interventions; and the need for some geographic consistency.

7. The primary target group will be those households experiencing food and income insecurity, but with potential to take advantage of Programme interventions to improve their livelihoods in a sustainable manner. Special attention will be paid to inclusion of the poorest and most vulnerable sections of the communities, especially formerly displaced people, ex-combatants, women and the youth.

C. Key Programme Objectives

8. The overall goal of PRELNOR is to contribute to reduce post-conflict poverty, food insecurity and vulnerability of rural communities in the districts of intervention on a sustainable basis. This will be achieved through the Programme objective to restore the livelihoods of poor rural people by supporting the recovery of their farming systems, while laying the basis for longer-term sustainable development in the face of increasing climate related hazards and disasters.

D. Ownership, Harmonization and Alignment

9. The proposed Programme is aligned with the national objectives and priorities as outlined in the NDP, the Peace Recovery and Development Plan (a framework programme coordinated by the Office of the Prime Minister for the economic recovery of the Northern Reion), MAAIF's Development Strategy and Investment Plan (DSIP) and the Ministry of Local Government's Sector Investment Plan's (LGSIP). Specifically, the Programme is consistent with the PRDP's third strategic objective, which aims at revitalisation of the economy through re-activating the productive sectors within the region, with particular focus on production and marketing, services and industry.

10. The Programme will develop synergies and complementarities with on-going activities of the relevant GoU and other donor-funded programmes/projects in the Programme area. These include: (i) the World Bank funded second phase of the Northern Uganda Social Action Fund (NUSAF2), which seeks to empower communities by enhancing their capacity to systematically identify, prioritize, and plan for their needs and implement sustainable development initiatives that improve socio-economic services and opportunities; (ii) the European Union (EU) funded Northern Uganda Agricultural Livelihoods Recovery Programme (ALREP), which seeks to ensure that the agricultural sector makes a substantial contribution to raising the prosperity for its war-affected population to a level at least at par with the rest of the country, and to increase economic growth. IFAD will seek harmonisation with other donors through the Northern Uganda Recovery and Development (NURD) donor group. Synergies will also be developed with other IFAD-supported programmes in the country like the second phase of the Vegetable Oil Development Project (VODP2), ATAAS and PROFIRA.

E. Components and Activities

11. PRELNOR will consist of three main components as indicated below. The details on the approaches and implementation arrangements will be elaborated during the design process.

12. **Component 1**: *Support to Restoration of Climate Resilient Farming Systems.* This will include recapitalisation of target group households with a package of basic

agricultural inputs (seeds, tools, poultry and small ruminants) to enable them increase and diversify household agricultural production and food security promotion of appropriate technologies such as improved seeds and animal traction for increasing the acreage under sustainable cultivation practices and reducing the workload especially for women; dissemination of improved land and water management practices; promote the adoption of climate change adaptation measures to increase the resilience of the farming systems. During the project design phase an appropriate stepwise mechanization strategy will be developed that will incorporate interventions that can build upon indigenous practices.

13. **Component 2:** *Support to Community-Based Institutions and Participatory Development for Economic Empowerment.* This will include interventions targeted at strengthening community institutions and farmer groups as a tool for empowerment of marginalized communities. Groups will be supported in the areas of adaptive extension, market access and simple agro-processing and value-addition, paying particular attention to their business and market orientation. The emergence of micro and small enterprises will be supported to create non-farm income earning opportunities. Members of the most vulnerable households will be supported to change their mind sets for self-empowerment. Security of land tenure will be improved by supporting participatory processes for land surveying, mapping, registration and certification, thus encouraging investments in sustainable land management practices.

14. **Component 3:** *Rural Infrastructure Rehabilitation and Development.* This component will aim at restoring public economic and agricultural infrastructure damaged or destroyed during the civil war and, where required, develop new climate resilient infrastructure that improves living and production conditions. The Programme would finance the improvement of selected community access roads linking villages to the main roads, thereby linking important crop producing zones to markets which will also help in reducing post-harvest losses. Lessons learned/experience from programmes such as DLSP, CAIIP, NUSAF2 and any other relevant interventions will be taken into consideration at design time. The Programme will also finance the introduction of small-scale irrigation facilities in selected areas with perennial water bodies in areas where it will be technically, socially, economically and environmentally feasible, to increase agricultural production through crop intensification and diversification.

F. Costs and Financing

15. The project costs would be elaborated as part of the detailed project design. Financing would be through an IFAD loan of about USD 30 million, an ASAP grant of about USD 10 million[6] and further possible co-financing for another USD 10 million to be mobilized from co-financiers or otherwise covered by the balance of the IFAD PBA for 2013-15. Various funds for climate change adaptation, such as the Climate Change Adaptation Fund, the financing mechanism for the United Nations Convention for Combating Desertification (UNCCD), the United Nations Framework Convention for Climate Change (UNFCCC), and the new Green Fund will be targeted depending on the financing needs and opportunities identified at project design.

G. Organization and Management

16. Given the decentralized nature of the project and the strong focus on service delivery at district level, the Ministry of Local Government, which has a good track record of coordinating similar interventions, will be the implementing agency. A Project Management Unit (PMU) will be set up with a lean presence at the Ministry HQ in Kampala and most of its staff based in a field office in the programme intervention

[6] ASAP will support the integrated, step-wise approach to mechanization and crop diversification as the primary unit of project interventions, which is also instrumental for ensuring connectivity of assets (natural, social and economic assets) for maximum results and impact, as well as the scaling up of multiple benefit approaches for sustainable agricultural intensification.

area, to ensure easy coordination with partners in the field and close follow-up at implementation. At the district level, the Chief Administrative Officer (CAO) will ensure integration and coherence with the District Development Plans. The PMU will support planning, implementation and financial management as well as coordination with relevant ongoing programmes/projects in the sub-region.

H. Monitoring and Evaluation Indicators

17. Monitoring and Evaluation (M&E) will be undertaken at different levels to support effective implementation, maintain the Programme's focus and direction, and provide information for addressing constraints and ensuring delivery of outputs. A comprehensive project M&E system will be elaborated at design and refined at the start of the project, and will be consistent results framework being developed as part of the RB-COSOP elaboration. Some of the ASAP project selection criteria will also be adapted as appropriate indicators.

I. Risks

18. The risks identified at this stage and their mitigation measures are discussed below:
    - The target area is just recovering from a devastating civil war that lasted for more than two decades. The perception that as long as Joseph Kony, the rebel leader, is still at large, the possibility of a return to hostilities cannot be completely ruled out, may create uncertainty among the communities and implementers on whether to commit to long-term investments/activities. The Government would need to keep up its relentless effort to prevent a return to hostilities.
    - The transition between emergency interventions and longer-term development interventions needs to be managed with a lot of care. Emergency interventions are associated with humanitarian, 'handout' assistance geared towards survival in the immediate to short-term, which may breed a dependency syndrome. Longer-term development interventions, on the other hand, facilitate the target group to be active participants in and beneficiaries from economic activities in a sustainable manner. However, the dependency syndrome could make the target group less willing to participate. Participatory approaches will be key in building confidence and ownership of the communities around the programme.
    - The capacity of the beneficiaries to sustainably absorb the different development interventions could be a limiting factor. This again, is associated with the conditions to which the majority of the target group were subjected during the course of the conflict. Capacity building and/or counselling for the different target groups would be necessary to create an environment that would enable the beneficiaries to actively participate in and sustainably benefit from the different interventions.
    - The implementation capacity of local governments is uneven and weakening, in particular in the Northern Region. A thorough analysis of capacities will be done at design stage to orient the strategic choices in terms of implementation arrangements.
    - Climate-related risks will be addressed through promotion of climate resilient agriculture, improved NRM as well as adaptation measures for agricultural investments.

J. Timeframe

19. The proposed project design timeframe is as follows:
    - Mar/Apr 2014 First Design
    - June 2014 QE review
    - Sep/Oct 2014 Final Design
    - January 2015 QA review
    - April 2015 Executive Board Presentation

Key file 1: Rural poverty and agricultural/rural sector issues

Priority areas	***Affected groups***	***Major issues***	***Actions needed***
Access to agricultural advisory services and technologies	All smallholder producers	Limited outreach of NAADS; lack of inclusion/targeting of poorer farmers, women and youth by NAADS; unclear responsibilities and funding between MAAIF traditional extension system and NAADS; poor coordination between NARO and NAADS; difficult access to quality agricultural inputs (improved seed, fertiliser & other agricultural chemicals).	Improve outreach of NAADS; targeting of messages for poorer farmers, with special effort to include women, and female and male youth; clarify mandate and coordination of NAADS vs. traditional extension system; increase coordination between NAADS and NARO; promotion of private sector operators for input supply,
Soil fertility and environmental degradation	All smallholder producers	Low crop and livestock productivity; rainfall variability; declining soil fertility, soil erosion and land degradation; encroachment on forests and wetlands; climate change, land pressure and unclear land tenure systems.	Improved agricultural technologies for specific strategic crops integrated with sustainable land management practices, and rainfall risk coping strategies; attention to environmental conservation and climate change adaptation measures at plot, farm and community level; strengthening of district environmental land use management to protect wetlands and forest areas; strengthening of district land tenure administration secure land rights for smallholders.
Access to markets, value addition and rural MSMEs.	All smallholder producers	Remoteness of rural areas and lack of economic services in rural urban centres; low crop productivity and limited quantities for marketing and processing; lack of crop diversification; poor technical and business skills levels; limited bulking and primary processing at farm level; lack of access to financial services; poor enabling framework for private investment in rural areas (infrastructure).	Investments in community access roads and market centres in rural areas; increased production and quality of strategic agricultural crops; skills and agribusiness training for individuals and groups; promotion of rural organisations including producer and specific economic activity groups; improved access to rural financial services; strengthening local government capacity to create enabling local economic development framework; promotion of private sector investment in rural areas for input supply, crop marketing and primary processing.
Rural financial services	All poor rural households	Limited outreach and depth of supply; lack of financial products for agriculture; poor savings culture; lack of financial literacy among rural populations; poor understanding of governance and sustainability issues for membership-based financial organisations; lack of appropriate regulatory framework.	Promotion of savings culture; financial literacy training; savings and credit groups; establishment of viable and sustainable local rural financial service providers; linkages with formal financial sector institutions; development of appropriate financial products; governance training community-based financial service providers; appropriate regulatory framework for protection of savings and enforcement of good governance.
Marginalization of vulnerable households	Poorest smallholders, women and youth	Poorer HHs marginalised and not participating to mainstream economic and village activities; high vulnerability to falling into chronic poverty, particularly female-headed and widows; poor community planning and implementation; poor institutional human outreach for inclusion at grassroots level.	Household mentoring to empower marginalised HHs for participation into economic development; basic literacy and numeracy training; strengthening community development at district level; mainstreaming HIV, gender and youth issues into IFAD programmes.

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Institution	***Strengths***	***Weaknesses***	***Opportunities/threats***	***Remarks***
Ministry of Finance, Planning and Economic Development (MFPED)	Responsible for national growth and development policy and prepares annual budget; coordination with development partners; accessible and open to dialogue	Relies on other ministries for initiatives; long time has been needed to develop policy and regulatory framework for rural finance		Not a line ministry; implementing ministry for rural finance
Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)	Key ministry for agricultural sector. Has been re-structured and partially re-located; Has completed its Agricultural policy document and its sector investment plan	Overly broad interpretation of its responsibilities; highly centralised; slow decision making, with slow operational follow-up on procurement/financial matters; re-structuring not complete, lack of full ownership of move; slow release of modern hybrid seed varieties. Many staff vacancies and high staff turnover	Shifts in political climate; limited field presence at district level; unclear division of responsibility with other bodies at district level.	Poor implementation capacity has led to decline in dev partner funding
Ministry of Local Government (MoLG)	Clear mandate to support de-centralisation and local governments; clear definition of roles and responsibilities; efficient and effective internal decision making processes	High turnover in top leadership; District splintering has weakened implementation capacity; sector approaches undermining local delivery capacity; Loss of local governments revenue source has undermined local financing capacity.	Ministry with strong implementation capacity and ability to fulfil annual targets; capable of taking on more responsibility	Project implementation success led to more funding from dev partners
National Agricultural Research Organisation (NARO)	Well-trained capable research scientists; variety of specialised research institutes and land for research trials; many new initiatives to make research more responsive to farmer needs and to bring research results to farmers	Seriously understaffed with gaps in key areas like sunflower and soybean; lack of lab facilities; a number of key research areas not covered; poor coordination with NAADS.	Working with NAADS under ATAAS for better integration of research with extension; needs to strengthen work for on-farm soil fertility and land management, and community landscape & NRM conservation and management	
National Agricultural Advisory Services (NAADS)	First phase completed with substantial lessons learned; qualified staff at district level; focus on private sector driven crop and livestock development and building linkages with private sector operators;	Unclear division of roles and responsibilities between DAO and NAADS staff at district level; financial accountability issues; lack of focus on poorer farmers.	2nd phase funding assured under ATAAS with better integration with NARO;	NAADS is a highly politicized programme
Ugandan National Bureau of Standards (UNBS)	Semi-autonomous body with clear mandate to define coordinate and monitor food and input standards.	Insufficient staff and resources relative to enforcement of quality standards, low activity level, few standards set and managed	Good opportunity to address food safety standards and introduce controls for agricultural inputs	
District local	Close to rural communities with good	Insufficient rural infrastructure including	With splintering of districts,	There is lack of

governments (LGs)	understanding of their constraints; awareness of marketing issues; committed staff	roads, communications and power; unclear reporting lines to central ministries	insufficient staff; loss of revenue source so inadequate funding;	clarity between decentralised and sector approaches
Organised private sector service providers	Driven by profit motive; experience; in-built control to ensure financial viability and sustainability; some risk taking capacity, determined by size of provider	Small no of large "stronger" providers and large no of middle level "weaker" providers; uncoordinated, conservative, lack of interest in investing in rural areas; little empathy with poor farmers, lack of financial transparency.	Private sector is open to innovative collaboration modalities with public sector; needs market and production of smallholders	Requires high inputs of project and IFAD staff time
Informal private sector service providers	Very competitive and risk taking; profit motivated, many players, responsible for trading and marketing major share of Ugandan agricultural production	Too much competition undermines margins and capacity to upscale; difficulty accessing financing; reputation of exploiting farmers	Challenge of working with many small businesses; has high institutional cost for projects; potential to bring big income gains to women and youth	Requires high inputs of project and IFAD staff time
National and regional rural organisations	Some national organisations like UNFFE, UCA and UCSCU supporting economic activities for smallholder farmers and rural people	Difficulty in assuring financial contribution from members and financial autonomy; dependence on donors; weak capacity and challenges to play advocacy role for needs and interests of rural producers and people	Need to identify clear areas of common interest and collaboration of partnerships; not necessarily representative of constituency being represented.	Each organisation needs detailed analysis at project design
Local level rural organisations	District Farmer Associations (DFAs) good autonomy and good partners for NAADS; helps members carry out income generating activities, bulk marketing and input purchasing.	Capacity and financing gaps; lack of agribusiness and financial management skills	Good mechanism for reaching poorer smallholders; potential to hold local governments more accountable	
Commercial Banks	Privatised, re-structured and credible private banking system	Limited outreach of rural branch offices; very high intermediation costs and costs to clients; little interest in clientele with small amounts	Need to improve linkages with lower level financial service providers and develop appropriate products.	
Microfinance deposit taking institutions	Credible alternative to commercial banks	More outreach in rural areas, lighter charges to poor clientele;		
Savings and credit cooperatives (SACCOs)	Good outreach to remoter areas	Lack of security for small savers; inexperienced committees leading to weak governance	Needs training for financial management and governance to become viable and secure	Highly politicized
Village savings and loan associations (VSLAs)	Good outreach for most vulnerable, usually women	Need to be re-constituted every year; limited range of financial products	Good mechanism to reach target groups who don't participate	

Key file 3: Complementary donor initiative/partnership potential

Agency (country strategy)	***Priority sectors and areas of focus***	***Complementarity/synergy potential***
World Bank (2011-2015)	Key selected investment programmes relevant for IFAD: • Eastern Africa Agriculture Productivity Project (EAAPP), regional programme supporting 4 countries for creation of centres of excellence in Cassava (Uganda), Dairy, Rice, Wheat, USD 30 M, 2010-13. • Agricultural Technology and Agribusiness Advisory Services (ATAAS) Programme, supporting NAADS and NARO, USD 127 M investment, 2010-16. • Technical Assistance to MAIIF to develop Non-ATAAS Investment Programmes and Projects, USD 1.6 M, 2012 (completed). • Non-ATAAS DSIP Project, supporting one of the investment areas identified (see above), still at early stage of design, about USD 40 M, due to start in 2014 for 5 years. • Second Northern Uganda Social Action Fund Project (NUSAF2), to improve income earning opportunities and basic socio-economic services in Northern Uganda, under PRDP, USD 100 M, 2009-14.	• On-going co-financing of ATAAS (WB is cooperating institution): proactive engagement by IFAD in project implementation support for emphasis on targeting and inclusion in agenda for agricultural research and advisory services. • Lessons learnt from NUSAF2 to shape design of PRELNOR; potential partnership/co-financing and/or complementarities to be explored for PRELNOR in case WB will continue to invest in Northern Uganda after 2014. • Important partner for policy dialogue agenda: member of the Agricultural sector WG, chair of the Local Development Partners Group, and permanent co-chair of the Joint Budget Support Framework
African Development Bank (2011-2015)	Key selected investment programmes relevant for IFAD: • Community Agricultural Infrastructure Improvement Programme, 3 projects (CAIIP-1, 2 and 3), with MOLG, development and rehabilitation of critical economic and social infrastructure and increased agricultural productivity, total USD 190 M, last project to end in 2016. • Markets and Agricultural Trade Improvement Project (MATIP-1), with MOLG, rehabilitation and upgrading of markets in municipalities and town councils, USD 60 M, 2010-15.	• On-going co-financing of CAIIP-1 (closing in 2013). • Opportunities for co-financing of other CAIIP projects, depending on geographic complementarity with other IFAD projects. • Complementarities of agricultural infrastructure investment by CAIIP with other IFAD investment. • Possibility to use partnership with AfDB and MOLG for the implementation of infrastructure component of PRELNOR. • Member of the Agricultural sector WG.
European Union (2008-2015)	Key selected investment programmes relevant for IFAD: • Two projects in Northern Uganda: (i) Northern Uganda Agricultural Livelihoods Recovery Project (ALREP), EUR 20 M, 2010-14; (ii) Karamoja Livelihoods Project (KALIP), EUR 15 M, 2010-14. • Small and Medium Agri-business Development Fund (SMADF), under design, creation of an investment fund targeting small and medium agri-business enterprises.	• Lessons learnt from ALREP/KALIP (NB: livelihoods support) to shape design of PRELNOR; potential partnership/co-financing and/or complementarities to be explored for PRELNOR in case EU will continue to invest in Northern Uganda after 2014. • Strong potential for IFAD to be the implementing partner of SMADF for the EU (discussions on-going); strong complementarity with IFAD strategy to develop PPPs for market integration of smallholders. • Chair of the Agricultural sector WG

Danida, Denmark	Support focused on: growth, good governance and human development. Key selected investment programmes relevant for IFAD: • U-Growth: o Phase I – Public sector budget support (MAIIF/DSIP), Rural access roads, and Agri-business and private sector support (aBi Trust, with co-financing from SIDA, EU, Belgium and USAID), USD 88 M (of which USD 57 M in aBi Trust), 2010-13 o Phase II – PRDP support, Enabling environment (public sector), and aBi Trust, under formulation, USD 110 M, 2014-18. • Restoration of Agricultural Livelihoods in Northern Uganda (RALNUC), phase II, under PRDP, investment in public works and training/extension of farmers, USD 7 M, 2010-13.	• Potential complementarities at project operational level between aBi Trust investment and IFAD-financed projects (e.g. ATAAS, VODP2) supporting smallholders. • Lessons learnt from RALNUC to shape design of PRELNOR; potential partnership/co-financing and/or complementarities to be explored for PRELNOR in case Danida will continue to invest in Northern Uganda after 2014. • Member of the Agricultural sector WG
GIZ and KfW, Germany	Key selected investment programmes relevant for IFAD: • GIZ - Financial Systems Development Programme, TA support to BoU: o Phase I – Enabling environment for the financial sector (policy and regulatory framework), Support to SACCOs in Lira District, Financial literacy and consumer protection (BoU strategy for financial inclusion), EUR 6 M, 2011-14. o Phase II – still to be determined. • KfW - Rural Finance Enhancement Programme (2012-15): o Rural Challenge Fund, matching grants for financial institutions financing SMEs and farmers in rural areas, EUR 8 M; o Refinancing facility, credit line for onlending to farmers and agri-business, EUR 6 M.	• High potential for partnership under PROFIRA (being discussed) for policy and regulatory aspects (Tier IV) as well as for implementation of financial literacy strategy at SACCO level. • GIZ is a member of the Task Force overseeing the design of PROFIRA • Members of the Private Sector WG (including microfinance). • Potential complementarity of KfW programme with EU SMADF (to be explored)
The Netherlands Embassy	Key selected investment programmes relevant for IFAD: • Catalist – Uganda, support to cassava, potato, rice and sunflower value-chains, EUR 15 M, 2012-16. • Integrated Seed Sector Development (ISSD) for developing local seed businesses and improving eneabling environment, EUR 5 M, 2012-16. • Agro-skilling in Northern Uganda, capacity building on agri-business skills, EUR 9 M, 2012-16	• Potential for partnership with ISSD on enhancing access to improved seeds for oilseeds in Northern Uganda (VODP2) through local production and multiplication. • Member of the Agricultural sector WG
DFID, UK	Key selected investment programmes relevant for IFAD: • Uganda Financial Services Inclusion Programme, design on-going, implementation to start in 2014.	• Discussions on-going on how to ensure synergies and complementarities of the new programme with PROFIRA – NB: DFID is a member of the Task Force overseeing the design of PROFIRA • Member of the Private Sector WG (including microfinance)
USAID, USA (2011-2015)	Key selected investment programmes relevant for IFAD: • Various support for NARO in biotech R&D, USD 7.5 M; • Livelihoods and Enterprises for Agricultural Development (LEAD) Project,	• Chair of the Private Sector WG (including microfinance) and co-chair of the Agricultural sector WG.

	to improve farming practices, enhance market access and strengthen relationships among value-chain stakeholders, USD 36 M, 2008-13. • Support to aBi Trust, USD 20 M, 2011-13. • Partnership Innovation Fund, venture capital to leverage private sector investment in food security and bio-diversity, USD 17 M, 2012-16 • Support for policy and enabling environment for private sector, USD 7 M, 2012-15 • Public sector capacity building, institutional support for restructuring of MAAIF, USD 6 M, 2012-17	
Bill and Melinda Gates Foundation	• Various support for use of mobile network technology to enhance provision of financial services (USD 7 M) and agricultural/market information (USD 8 M), in partnership with Grameen Foundation and MTN. • Support to Centenary Bank (through WB/AgriFin Project, USD 2 M) to increase its outreach to rural areas.	• Potential complementarities with PROFIRA: access for SACCOs to mobile technology and partnership with Centenary Bank.
WFP (2009-2014)	• Agriculture and Market Support/Purchase for Progress (P4P), focused on developing market infrastructure, improving post-harvest handling and diversifying local purchases, to supplement food distribution schemes in Uganda and neighbouring countries, USD 46 M, 2009-14	• Experiences working in Northern Uganda (P4P); piloted warehouse receipt systems.

Key file 4: Target group identification, priority issues and potential response

Typology	*Characteristics and Poverty level*	*Coping Actions*	*Priority needs*	*Potential programme responses*
Poorest smallholders (chronically poor) and most vulnerable households	Widowed, polygamous or orphan HH head; HH head with less than 3 years education; high dependency ratio (4 or more children and aged family members); scattered plots of less than 2ha, no livestock, mono-cropping; very low participation in groups and community; very limited productive assets (including land). Seasons of hunger; dependence on rain-fed agriculture.	Use of children as labour Polygamous male lives with better off wife Sale of assets and land during famine periods Girl children drop out of school early to marry.	Women need autonomous sources of income to pay school fees and children's needs; training in basic numeracy and literacy skills, income earning opportunity from agriculture or non-farm.	Household mentoring for self-empowerment;; Training in basic literacy and numeracy; simple business training; diversification and cash earning opportunities from agriculture, value addition and/or non farm activities; introduction to marketing; group formation and community participation.
Poor smallholders (transitory poor)	Male headed households with 5-6 years education, high dependency ratio (more than 4 children); wife(s) participating in some village activities; own 2 ha in better rainfall areas, 4-10 ha in semi-arid areas; some livestock, maybe off-farm activity; some crop diversification. Low crop productivity.	Both male and female HH heads engaged in some simple income earning activities; children may attend free primary school and still provide labour; have identified potential for income growth but unable to follow through; limited information about improved production and land use.	To keep children in school Improve productivity of existing enterprises, and develop new enterprises with better income earning potential; needs information and investment to expand, raise productivity, hire in labour, participate in markets.	Training in business skills and marketing; agricultural extension, use of inputs and labour saving technologies to improve crop productivity; access to markets; access to financial services for saving mobilisation and credit; participation in rural producers organisations; secure land rights, climate change adaptation measures.
Women and women headed households	Women from the poorest and poor farmer HHs and women headed HHs. Orphan caregivers. Unequal access to productive assets and resources (land, credit, etc.).	Use of children as labour; keeping children out of school; subsistence agricultural production; petty employment and sex trade.	HIV prevention, basic skills development and self-confidence. Livelihood activities which provide cash income to cover basic needs and children's school fees.	Household mentoring to help identify potential opportunities and equitable sharing of labour burden and income earnings; training in basic literacy and numeracy; business training; training in agricultural crop technologies; savings mobilisation through savings and credit groups and access to financial services. Sensitisation about HIV risks.
Youth	Both young men and women as they reach young adulthood	Petty employment for male youths, sex trade for female youth.	For all youth, HIV prevention; for young women, the avoidance of early pregnancy and school dropout, for young men employment or self-employment livelihood opportunities.	Business training, group development, development of off-farm enterprises, access to rural financial services for saving mobilisation and credit. Sensitisation about HIV risks.