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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE REPUBLIC OF UGANDA

FOR

THE DISTRICT DEVELOPMENT SUPPORT PROGRAMME



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CURRENCY EQUIVALENTS

Currency Unit	=	Uganda Shillings (UGX)
USD 1.00	=	UGX 1 150
UGX 1 000	=	USD 0.87

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

ACT	Action pour la coopération technique (Action for Technical Cooperation)
BSF.JP	Belgian Survival Fund Joint Programme
DICDP	District Integrated Community Development Project
DTPC	District technical planning committee
MOLG	Ministry of Local Government
NGO	Non-governmental organization
SIDA	Sub-County Integrated Development Association
UWFT	Uganda Women's Finance Trust

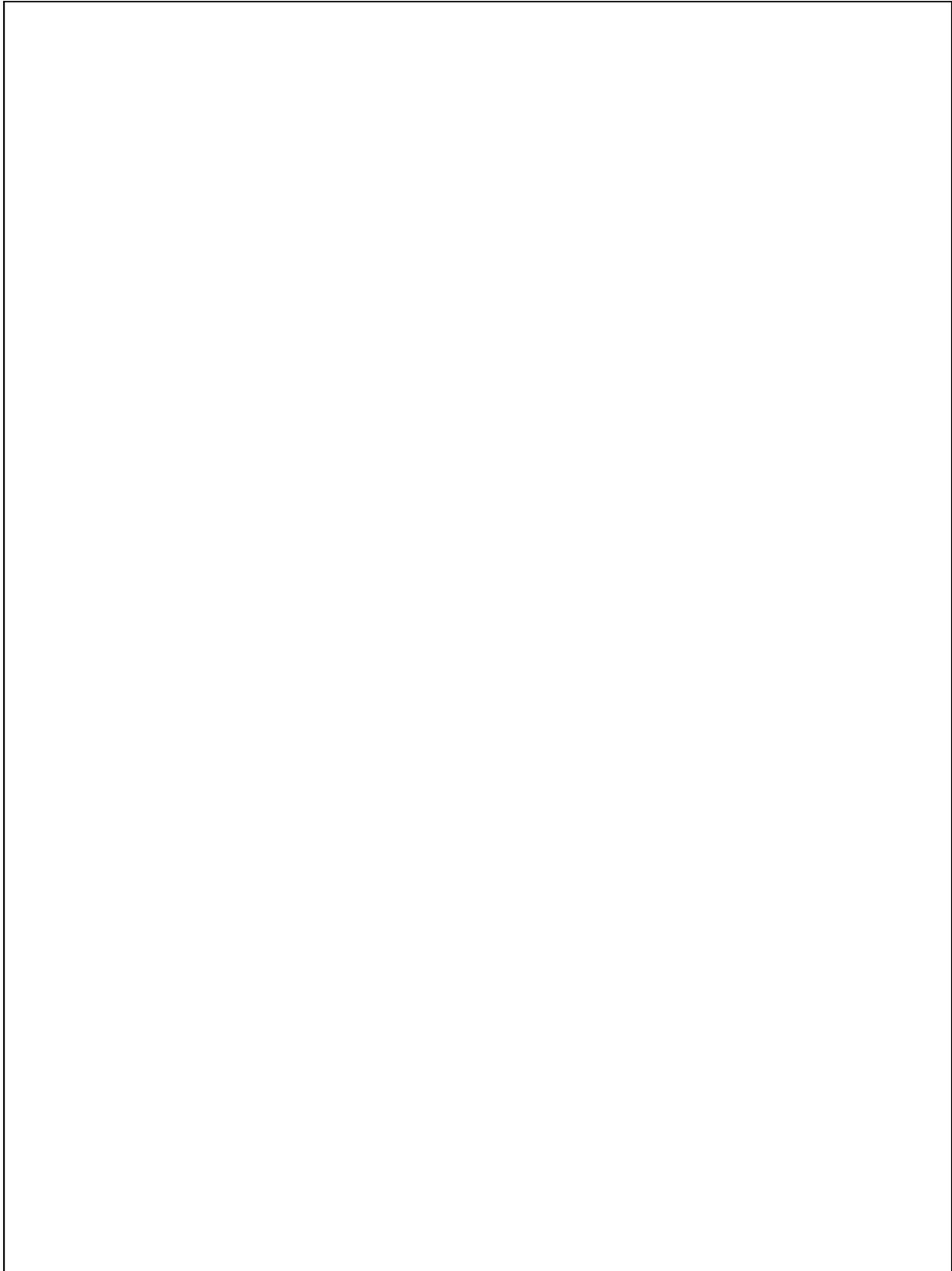
GOVERNMENT OF THE REPUBLIC OF UGANDA

Fiscal Year

1 July - 30 June



DISTRICT DEVELOPMENT SUPPORT PROGRAMME

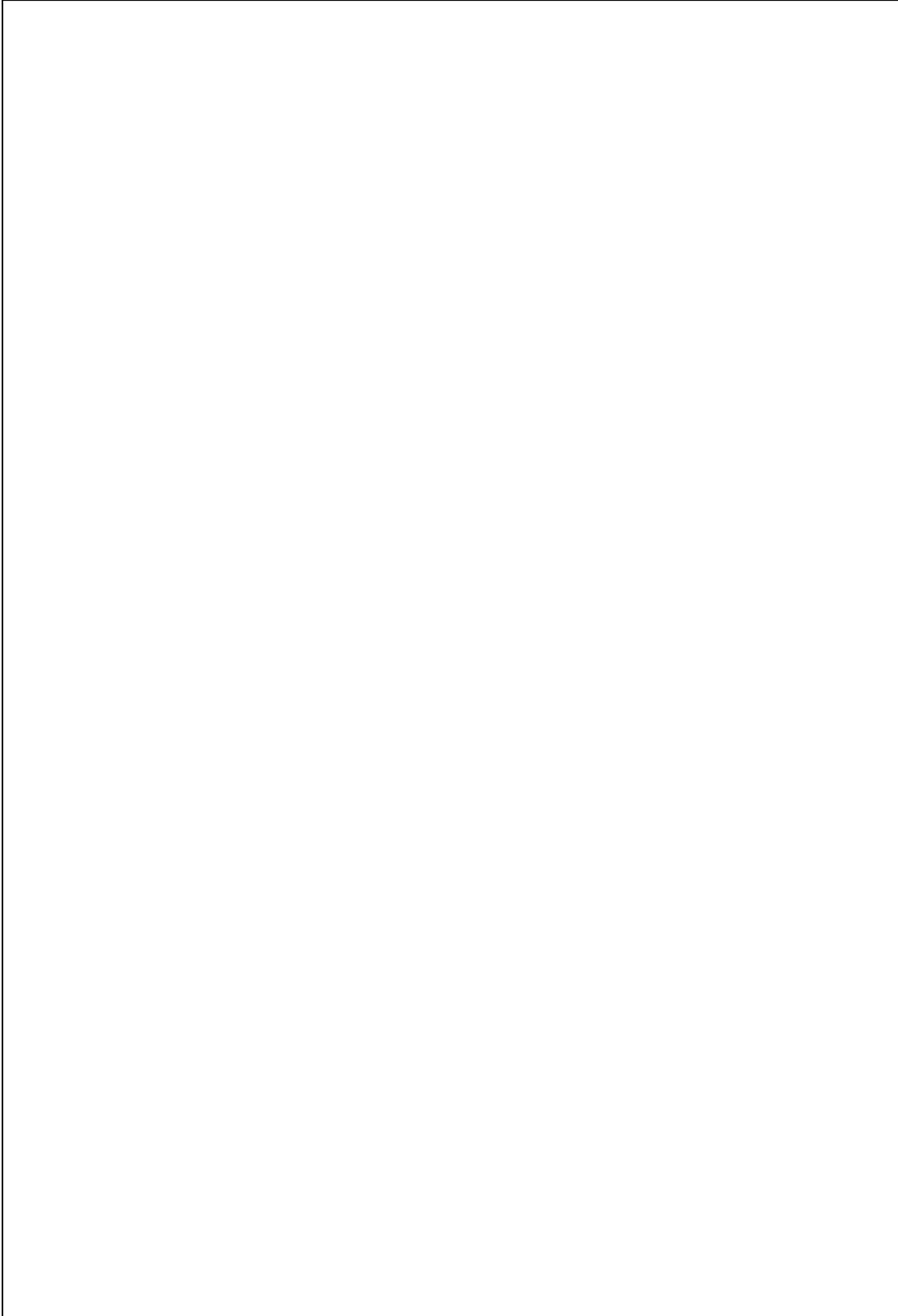


Source: IFAD

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 OPERATIONS IN UGANDA



Source: IFAD

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REPUBLIC OF UGANDA
DISTRICT DEVELOPMENT SUPPORT PROGRAMME
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Uganda
EXECUTING AGENCY:	Ministry of Local Government (MOLG)/Districts of Hoima, Kibaale and Kabarole
TOTAL PROGRAMME COST:	USD 20.7 million
AMOUNT OF IFAD LOAN:	SDR 9.5 million (equivalent to approximately USD 12.6 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIER:	Belgian Survival Fund (BSF)
AMOUNT OF COFINANCING:	USD 5.6 million
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF BORROWER:	USD 1.6 million
CONTRIBUTION OF BENEFICIARIES:	USD 0.9 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	IFAD-supervised



PROGRAMME BRIEF

Who are the beneficiaries? Of approximately 255 000 households living in Uganda's mid-western districts of Hoima, Kibaale and Kabarole, an estimated 80%, comprising over one million mostly poor rural dwellers, are expected to benefit, directly and indirectly, from the programme. The activities are targeted principally at women and children members of the districts' rural communities and smallholders operating small areas of farmland. The typical programme beneficiary earns less than half the national per capita income of USD 240, while the typical poor rural household spends two-thirds of its total expenditure on food. Rural women will form the predominant target group, especially due to their roles in interventions related to health, child welfare and household nutrition.

Why are they poor? A 1993 household survey found that about 61% of the population was living below the poverty line. The roots of the chronic poverty in the area are to be found in the long period of civil disorder that destroyed most of the country's infrastructure, disrupted social, economic and other productive activities; and left a majority of households without men, wives without husbands, and many children without parents. Lack of markets, low levels of education and the small size of cultivated holdings also contribute to poverty. The subsequent devastation of Acquired Immune Deficiency Syndrome (AIDS) and related diseases compounded the poverty situation. So extremely low were the socio-economic indicators by the end of hostilities that interventions by IFAD and other donor agencies have not had a significant impact on the poverty situation, although some key social indicators have improved in the programme area. While poor social conditions have mandated an initial emphasis on social services, the sustainability of services and a decrease in poverty reiterate the need for an increasing focus on production rehabilitation.

What will the programme do for them? The programme is expected to raise household and rural incomes through support to traditional cash crop cultivation and other income-generating activities; further improve the overall health status of beneficiaries by the provision of safe water, sanitary facilities, primary health care and transport linkages; improve food security and nutrition through suitable crop production, fish farming and apiculture support; and generally enhance the capacity of communities to respond to their socio-economic needs on a self-organized basis.

How will the beneficiaries participate in the programme? Community members, groups, particularly women's groups, associations and committees that have already been identified, formed, sensitized and trained with the assistance of the ongoing Integrated Community Development Project covering Hoima and Kibaale (but not Kabarole) will constitute the organizational base of the proposed programme interventions. Beneficiaries will receive further mobilization and capacity-building support to enable them take direct responsibility for their own and for their community's social and economic development activities supported by the programme. In addition, they will also participate in field demonstrations, exchange visits, and all productive economic activities assisted by the programme.

Programme costs and financing plan. The total programme cost over a six-year period is USD 20.7 million, to be contributed by an IFAD loan (USD 12.6 million), BSF grant (USD 5.6 million), government contribution (USD 1.6 million) and beneficiary contribution, mostly in kind (USD 0.9 million).



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE REPUBLIC OF UGANDA
FOR
THE DISTRICT DEVELOPMENT SUPPORT PROGRAMME**

I submit the following Report and Recommendation on a proposed loan to the Republic of Uganda for SDR 9.5 million (equivalent to approximately USD 12.6 million) on highly concessional terms to help finance the District Development Support Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It is proposed that this IFAD-initiated programme be supervised directly by the Fund, in view of the opportunities it will provide for guiding and learning from the decentralization of decision-making; and implemented by communities, national and local non-governmental organizations (NGOs) and the private sector.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. **Economic Recovery Programme.** Uganda is a landlocked country covering a surface area of 241 000 km² (Maps 1 and 2). In mid-1997, the population was estimated at 20.4 million, with an annual growth rate of 2.5%. Nearly 90% of the population is rural. Uganda is ranked 159th out of 175 countries in the 1997 Human Development Index of the United Nations Development Programme (UNDP). Per capita gross domestic product (GDP), estimated at USD 240 in 1996, places Uganda amongst the poorest countries in the world, but with low population density and abundant productive land available. Food crop production is a crucial economic activity, accounting for more than a quarter of GDP, compared to 9% for manufacturing. Economic output is dominated by agriculture, accounting for 44% of GDP.

2. The market-oriented adjustment and recovery policies adopted by the Government of Uganda in 1987 continue to be followed, with an average annual rate of GDP growth of 5%, peaking at over 10% in 1994/95. Monetary expansion has been restricted and inflation controlled at single digit levels since 1990, but the Government's fiscal position remains weak because of the narrow revenue base. Imports have consistently exceeded exports by a factor of two in value. Agriculture provides 90% of export earnings, with coffee the preponderant determinant of the trade balance. The deficit is offset by remittances and capital inflows, mainly in the form of international assistance; these have permitted a build-up of modest foreign reserves, equivalent to about five months of imports.

¹ See Appendix I for additional information.



3. The country's total external debt stood at USD 3.5 billion (64% of the gross national product (GNP)) in 1995. In line with its consistent economic performance relative to other countries in the region, Uganda will benefit from the recently approved Heavily-Indebted Poor Countries Debt Initiative sponsored by the International Monetary Fund (IMF) and the World Bank. IFAD is a full participant in this initiative for Uganda to reduce the debt burden and enhance the Government's capacity to effectively pursue its poverty eradication strategy. The IFAD contribution would reduce the net present value of the national debt by SDR 4.16 million equivalent.

4. **Agricultural development strategy.** Uganda is endowed with extremely productive land and soils and favourable climatic conditions, especially in the south. Of the 17 million arable hectares, about 5 million are under cultivation, with an average of 1.6 ha of cultivated land per farm family. Agriculture is dominated by some 2.5 million smallholders, representing 80% of the employed population, producing over 90% of all farm output and almost all food. Despite its traditional base, food agriculture is expanding in terms of area and output and is becoming increasingly commercialized and monetized as returns from sales often outstrip those from export cash crops.

5. Current government policy and strategy for agriculture are focused on six areas: strengthening of agricultural research and extension services; development of better production technologies; improving rural infrastructure; support for marketing; rural credit; and the implementation of appropriate fiscal policies. Decentralization lies at the core of the sectoral development strategy. To maximize the return on public investment, the Government is promoting infrastructure investment in areas with significant growth potential. The objective of the modernization policy for agriculture is to exploit the full potential of the natural resource base of the relatively rich soils and favourable climate to improve household food security and foster increased commercialization of farm production.

B. Lessons Learned from Previous IFAD Experience in Uganda

6. IFAD loan assistance to Uganda to date has totalled about USD 85 million to finance six projects (one of which is currently under implementation); in addition, grant assistance under the Belgian Survival Fund Joint Programme (BSF.JP) has totalled about USD 14 million to finance three projects. The Smallholder Cotton Rehabilitation Project, the Cotton Sub-Sector Development Project (the latter cofinanced with World Bank) and the recently signed Vegetable Oil Development Project aim at increasing smallholder cash income in partnership with the private sector. The BSF.JP grant support and approach have complemented and reinforced the IFAD strategy with additional resources and compatible aims, namely, to alleviate poverty through: improving household food security and nutritional status; and the empowerment of target beneficiaries by building local governance capacity, utilizing a demand-driven, participatory, women-oriented and holistic resource-use approach. The BSF.JP has financed two District Integrated Community Development Projects (DICDPs): one for Hoima and Kibaale, approved in 1990; and the other for Masindi, approved in 1995. The Ugandan Women's Effort to Save Orphans (UWESO) grant approved in 1994 supports a local humanitarian NGO involved with orphans, widows, women and civil strife and AIDS victims.

7. The key lessons emerging from the BSF.JP-assisted Hoima-Kibaale District Integrated Community Development Project (H-KDICDP) have been that: (a) the **community mobilization** and development process has been effective, but the women's savings and credit groups and the sub-county integrated development associations (SIDAs) now need new horizons in social and economic advancement and/or in participation in local governance to give purpose to their sustained existence and contribution to change; (b) in **health and nutrition**, as well as in **water and sanitation** and **road and track** improvement, the basic conditions of adequate staffing, material and financial resource availability (including cost recovery) and prior beneficiary commitment, must be met before impact and sustainability can be assured. In **health**, coherent district health planning and rigorous donor



coordination and discipline are a *sine qua non* of cost-effective action; also in **sanitation**, interventions in schools will have limited impact if conditions in the home are unsanitary and unsafe; (c) **savings and credit** activities require major additional inputs of orientation, training and encouragement of grass-roots interest, but the system of management by the local NGO, Uganda Women's Finance Trust (UWFT), is viable and appropriate; and (d) **agricultural development** must be demand-driven, responsive to group interest at village level, make use of NGO and private sector capabilities, as well as those of extension services, and be founded in the reality of household financial status, district budget constraints and commercial practices.

C. IFAD's Strategy for Collaboration with Uganda

8. The current IFAD strategy in Uganda has four main thrusts: (a) promotion of strong civil-society organizations (including women, farmer and producer groups) and community development as measures to integrate rural producers into the economy; (b) continuation of support for smallholder production of cash crops to raise family income, expand exports and substitute imports, and of food crops to improve nutrition; (c) selective, targeted support to the public sector role of promoting agricultural development and social services for poverty alleviation; and (d) strengthening linkages between smallholders and private sectors for investment in smallholder-produced crop production and processing.

9. **The BSF.JP strategy**, for its part, lays stress on the need for a multisectoral approach and intersectoral collaboration at district and, particularly, at downstream levels of the local government system. The political, social and economic uplift of local people is seen as an essential prerequisite for capacity-building and better governance; and cost effectiveness, replicability and sustainability of project actions are emphasized. The main focus is still on household food security and nutritional status. BSF/IFAD-assisted operations are hinged on the belief that the effective application of concepts of household food security and the empowerment of beneficiaries, including the provision of primary health care, water and sanitation, holds the key to increased income-generation through agricultural and other productive economic activities.

10. The Government's policy and strategy for poverty eradication are set out in the 1997 Poverty Eradication Action Plan. The primary means of poverty alleviation is to increase earnings from productive employment, including self-employment; and to have active participation by all in economic decision-making. In light of the overwhelming importance of agriculture and the rural bias of poverty incidence and severity, the top priority identified in the Plan is to raise the income earned from smallholder farming, the impetus for which must come from the farmers themselves.

11. **Other district-based donor/NGO support.** Belgium is one of the most important donors to Uganda. In addition to its support through BSF.JP, Belgium recently reached an agreement with the Government to provide direct bilateral support to the districts of Kasese and Gulu relating to rural development activities. Ireland has been supporting community-based health care, capacity-building, rehabilitation of health units and improvements in Kibaale District. The Danish International Development Assistance (DANIDA) supports a medical drug programme for the health centres of the District Administrations. In 1991, the German Agency for Technical Cooperation (GTZ) provided support for the rehabilitation of about 70 km of feeder roads. The World Bank is also supporting district-based community development and rural development at the national level, with two projects, both of which are present in Hoima: the Health Sector Project focusing on sexually-transmitted diseases (HIV/AIDS); and the Agricultural Extension Project. The United Nations Children's Fund (UNICEF) is involved in the expansion of the immunization programme, while both UNICEF and the United Nations High Commissioner for Refugees (UNHCR) are involved in the provision of safe water supply in Hoima and Kibaale.



12. A number of international NGOs have been operating in the three districts of the programme area. The scope of NGO activities is localized in comparison to public international assistance efforts. The Italian NGO, *Associazione Volontari per il Servizio Internazionale* (“Association of Volunteers for International Service”), has supported health care, water supply and emergency measures for refugees. Two Belgian NGOs are also present in the area: *Action pour la coopération technique* (ACT) (“Action for Technical Cooperation”) is active in the livestock sector of Hoima and Kibaale Districts, while *Ingenieurs Zonder Grenzen* (“Engineers Without Frontiers”) has been responsible for developing a water plan for Hoima District. World Vision International has focused on the construction of primary schools and sanitation. There are also two national NGOs operating in the project area: Uganda Rural Development and Training has forged links with other NGOs and focuses on assisting individuals and groups in the areas of agriculture, health gender cooperation, microenterprises, youth education and appropriate technology; and UWFT specializes in savings and credit for women and working with the ongoing H-KDICDP.

13. **Programme rationale.** The districts of Hoima, Kibaale and Kabarole are among the poorest and least developed in the country. Generally, over 90% of the population is poor, with earnings equivalent to less than half the national average - which is already among the lowest in the world. Children under the age of 19 years constitute up to 60% of the total population. Malnutrition is prevalent, with 30% of the children surveyed in 1994 reported as stunted and a further 18% underweight. In all the three districts, cash earning opportunities are few, although they are increasing as markets and trade develop, and subsistence agriculture remains the predominant occupation. Women play a major role in productive pursuits in each of the districts, including those of crop and livestock production, processing and small enterprise operation, and in domestic and social activities.

14. The ongoing H-KDICDP has made substantial progress in establishing grass-roots institutions and reducing the rates of morbidity and mortality among the most disadvantaged members of Hoima and Kibaale District’s communities. Although a majority of the population remains extremely poor, project intervention has been successful in laying a social and organizational basis for the furtherance of development activities aimed at integrating the rural poor in the process of economic growth from which the country has been benefiting. The main thrust of the programme, therefore, will be on productive activities (including both cash and food crops), combined with consolidation of the substantially successful socio-economic interventions. In the specific case of Kabarole District, which is not covered by the ongoing H-KDICDP, the programme rationale is to replicate and extend the successful lessons and experiences gained in the adjacent Districts of Kibaale and Hoima.

PART II - THE PROGRAMME

A. Programme Area and Target Group

15. **Programme area.** The proposed District Development Support Programme covers three contiguous districts located in Uganda’s equatorial region along the western border formed by the rift valley and Lake Albert separating the country from the Democratic Republic of The Congo (Maps 1 and 2). Hoima and Kibaale are covered by the present IFAD/BSF-assisted DICDPs; Kabarole is an adjacent district to which programme activities are to be extended.

16. **Hoima district** covers about 5 750 km², with a population of 250 000 at a density of 43 per km², well below the national average of 85. The district comprises two counties, 11 sub-counties, 44 parishes and 478 villages. **Kibaale District** covers an area of 4 300 km² and has a population of 274 000, at a density of 63 per km² and growing rather faster than that of Hoima, partly due to in-migration of settlers from the former national forest area. The district consists of three counties,



18 sub-counties, 72 parishes and 727 villages. **Kabarole District** lies to the south of Kibaale and is relatively large, with a land area of 8 360 km² but with a similar status of remoteness and slightly lesser development than the other two. The population is estimated at 840 000 (94% rural) at a density of 100 per 100 per km², located in six counties and the municipality of Fort Portal, and in 32 sub-counties and 163 parishes.

17. Most of the land is held in accordance with customary laws of inheritance, and farmers generally enjoy permanent rights to the smallholdings they cultivate. Settlers, landless young farmers and women may have difficulty in obtaining land close to villages, but otherwise land is plentiful, with less than 20% of the potential arable area estimated to be under cultivation. The size of holdings varies from 0.5 ha to 10 ha, with an average of 2.5 ha. In all three districts, the main farming system is the western banana-coffee-cattle system: coffee is often interplanted with bananas, while maize is increasingly grown as a secondary cash crop; cassava, beans, groundnut and sweet potato are staple food crops but are also produced for sale. The secondary farming systems in small parts of the programme area are the banana-millet-cotton and the montane coffee-banana-cotton-cereals-tea systems, the latter in western Kabarole.

18. **Target group.** Women and children at risk or in deprivation will remain the prime target group, but programme activities in community and agricultural and enterprise development will become more broadly focused to include poor smallholder farmers, fishermen and traders. The target group universe will be about 105 000 total households in Hoima and Kibaale and an estimated 150 000 households in Kabarole, of which about 90% are predominantly farming families. While all of these may benefit from one or more programme actions, in particular the improvement of parish and sub-county infrastructure and services, the actual level of uptake and major impact is expected to be confined to about 20% of the population, those that are prepared and able to participate in the key productive interventions.

19. Sensitization and mobilization under H-KDICDP has established and trained numerous groups, including SIDAs, women's savings and credit groups, sub-county development committees, health unit management committees, water source committees, and village and school health committees. These grass-roots groups and committees have already assumed responsibility for further community participation in the identification, planning, provision, management and operation of social services and communal facilities. Women have been the overwhelming focus and main movers of this process to date, but their influence remains limited in the formal sphere of local governance and they have yet to realise the full potential of advancing household financial security.

B. Objectives and Scope

20. The principal **objective** of the six-year programme is to alleviate the chronic poverty that is pervasive in the programme area. More specifically, the programme will seek to: (a) raise household and rural incomes; (b) further improve the overall health status of the population; (c) improve food security and nutrition; (d) increase farmer participation in the monetization of the rural economy; and (e) enhance local governance. In the case of Kabarole, which has not yet benefited from integrated and community-based intervention development assistance, the main thrust of programme activities will be to build the social platform and institutional framework for economic development; to reduce the rates of mortality and morbidity, especially among women and children as the most disadvantaged sections of the community; to improve nutritional and health status; and provide the opportunities and means to increase farm and non-farm incomes.

21. The programme **strategy** is founded on the following principles: (a) promotion of directly productive and remunerative activities in farming and fishing, produce processing and trading, for



which an expanded community group and SIDA movement as well as savings and credit operations will be the main catalyst and form the supporting mechanism; (b) reinforcing and widening the coverage of the successful socio-economic and welfare measures, with emphasis on child health and nutrition and water supply and sanitation for schools; (c) strengthening health training on the basis of assured staffing and the provision of supplies; (d) reorientation of the approach, for instance, of the agricultural extension services and the Bulindi District Farm Institute, where the traditional *modus operandi* has so far failed to deliver the necessary results; (e) bringing into play the capabilities, not only of all the district departments, but also of NGO and private sectors, where these have the requisite specialist expertise, interest and ability to cooperate; and (f) further capacity-building and strengthening of the grass-roots and local government institutions up to district level, particularly with respect to financial viability. In order to ensure sustainability by communities of development services and facilities, the programme strategy will also include mechanisms for cost-sharing and cost-recovery for service provision. Activities that can be carried out by the private or NGO sectors will be subcontracted by the district.

C. Components

22. The programme will have the following seven components, to be implemented over a six-year period: (a) community development; (b) rural finance; (c) health and nutrition; (d) water and sanitation; (e) rural roads; (f) agricultural development; and (g) management capacity-building and institution-strengthening.

23. **Community development.** The component will be implemented in three sub-components: (a) **community mobilization support**, aimed at rendering some 1 200 community organizations and groups functional, cohesive and able to implement locally-conceived programmes and plans and improve the lives of their members; (b) **socio-economic skills development**, involving about 90 000 people and local leaders, to render them better able to conduct their own affairs and to contribute to community affairs; and (c) **district planning support** especially targeted at village, parish and sub-county leaders, office holders and other community leaders to better attune them in participatory planning and implementation processes.

24. **Rural finance.** The component will comprise four sub-components: (a) **finance systems development** aimed at upgrading SIDAs into recognized and effective microfinance institutions and at having at least one functional SIDA in every sub-county to perform lending and credit management roles in a viable and sustainable way for *bona fide* community groups; (b) **incremental credit**, involving some 2 200 short-term and 200 medium-term loans per year; (c) **support for UWFT** to ensure its efficient and cost-effective management and administration of the credit system for which this NGO is charged; and (d) **beneficiary training**, especially involving community groups and committees, SIDAs and change agents, to enhance their competencies and management as reflected in their stability and financial performance.

25. **Health and nutrition.** The component is subdivided into four sub-components: (a) **health infrastructure**, involving the rehabilitation/construction of six health units jointly with communities; (b) **health management capacity-building**, involving the training of staff and communities to assure community access to effective and affordable health services and achieve major reductions in infant, child and maternal mortality/morbidity and in the incidence and severity of malnutrition and major diseases; (c) **revolving drug fund** to improve the availability and affordability of essential drugs in all the health units under each District Administration; and (d) **technical assistance** to enhance planning, management and supervision of district health services and information systems, as well as the control and cost-effectiveness of health service delivery.



26. **Water and sanitation.** The component is in two sub-components: (a) **water supply**, involving the drilling and maintenance of 220 boreholes, and the installation of 80 rainwater catchment tanks in 80 villages, 47 primary schools and 18 health centres; and (b) **sanitation**, involving support to communities and community members for the installation of 400 improved ventilated pit latrines and 6 000 sanplasts, notably in schools and community centres.

27. **Rural roads.** The component will support the improvement of transport linkages by and for local communities, with the work undertaken principally by the beneficiaries with the assistance of the District's Works Departments. It will be implemented in three sub-components: (a) **roads and tracks**, involving the rehabilitation/construction of some 1 430 km of access roads and tracks, 35 km of feeder roads, 240 culverts/swamp crossings and 10 bridges; (b) **support to district works departments**, notably to enhance their mobility, skills — especially in road works supervision — and planning and operation of resources, and capacity to generally assist community roads initiatives; and (c) **link road to the shores of Lake Albert** to exploit the economic and social development potential of the area, involving an estimated 7 500 families engaged in fishing and fish processing and other trading and marketing interests associated with the lake.

28. **Agricultural development.** The component is expected to strengthen the agricultural extension service to render it responsive to farmers' needs through demand-driven linkages, improved and better crop husbandry practices, and the promotion of livestock, fisheries and apiculture enterprises linked to the incremental credit line under the rural finance component. The agricultural development component will comprise four sub-components: (a) **extension reorientation**, involving intensive sensitization of extension staff and communities in close liaison with the community development component, and improved mobility and operational needs to upgrade the effectiveness of extension service and facilitate improvements in production systems; (b) **training and management support** through the provision of technical assistance for systems development, and farmer, community and staff training to achieve an effective extension system and cadre capable of responding to field and practical needs; (c) **production support**, notably the provision of disease-tolerant, clean and high-yielding planting material of coffee, banana, cassava and sweet potato, and for livestock, apiculture and fishery enterprises; and (d) **district agricultural organization support**, notably to Bulindi District Farm Institute and to NGOs and other public and private sector institutions contracted to establish active demonstration models and offer farmer training in, among other things, oxenization technology, fish farming, apiculture and sericulture.

29. **Management capacity-building and institution-strengthening.** The capacity-building component will have four sub-components: (a) **implementation support to District Administrations** for the successful incorporation of the programme in a proficient district planning and implementation system; (b) **capacity-building** at sub-county and parish levels, involving orientation, sensitization and training of community groups, community committees, local council officials and community leaders, aimed at broadening the understanding and participation of beneficiaries and their representatives in the planning and implementation of development activities; (c) **parish revenue mobilization**, to enhance the flow of tax, fee and licence revenues especially at the lower level administrative set-up where 65% of the earned revenues are retained; and (d) **upgrading of monitoring and evaluation** to render the system simple and user-friendly for better management and meaningful impact assessment.

D. Costs and Financing

30. The total cost of the programme is estimated at USD 20.7 million (including taxes, duties and contingencies). This will be financed by an IFAD loan of USD 12.6 million (61% of total programme costs); a BSF grant of USD 5.6 million (26.8%), a government contribution of USD 1.6 million



(7.5%), and USD 0.9 million equivalent (4.7%) from the beneficiaries, mainly in the form of community labour. The district cost breakdown is: Hoima, USD 7.891 million (including certain common/central costs); Kibaale, USD 6.675 million; and Kabarole USD 6.078 million². Of the total programme cost, USD 6.561 million (32%) relates to foreign exchange costs and USD 0.525 million to duties and taxes. Investment costs represent 78% of base costs, major items being civil works and equipment for social infrastructure (25%), followed by vehicles, water/sanitation and other equipment (22%), and training, technical assistance and studies (21%). The programme costs and financing plan are summarized in Tables 1 and 2 and in Appendix V.

TABLE 1: SUMMARY OF OVERALL PROGRAMME COSTS^a
(USD million)

Programme Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Community development	1.318	0.862	2.180	40	12
Rural finance	2.489	0.307	2.796	11	15
Health and nutrition	0.847	0.612	1.459	42	8
Water and sanitation	2.218	1.675	3.894	43	21
Rural roads	2.355	0.792	3.147	25	17
Agricultural development	1.619	0.581	2.202	26	12
Management capacity-building	1.673	0.968	2.642	37	14
Total base costs	12.521	5.799	18.320	32	100
Physical contingencies	0.786	0.466	1.252	37	7
Price contingencies	0.775	0.296	1.071	28	6
Total programme costs	14.083	6.561	20.644	32	113

^a Discrepancies in totals are due to rounding.

² The cost breakdown for Kabarole District is tentative and is to be verified on the basis of a needs assessment.

TABLE 2: FINANCING PLAN^a
(USD million)

Components	Government		IFAD		BSF		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Taxes and Duties
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Community develop.	0.260	10.4	1.901	76.3	-	-	0.330	13.3	2.491	12.1	0.992	1.422	0.075
Rural finance	0.055	1.8	2.995	98.2	-	-	-	-	3.051	14.8	0.342	2.666	0.043
Health and nutrition	0.191	16.1	-	-	1.306	75.7	0.135	8.3	1.632	7.9	0.681	0.887	0.063
Water and sanitation	0.198	6.0	-	-	4.277	93.8	0.011	0.2	4.436	21.5	1.853	2.454	0.129
Rural roads	0.149	4.1	3.209	88.4	-	-	0.271	7.5	3.629	17.6	0.940	2.642	0.046
Agricultural develop.	0.366	15.0	1.851	75.7	-	-	0.228	9.3	2.445	11.8	0.659	1.708	0.079
Capacity-building	0.328	11.1	2.632	88.9	-	-	-	-	2.960	14.3	1.094	1.775	0.090
Total disbursement	1.548	7.5	12.588	61.0	5.533	26.8	0.974	4.7	20.644	100.0	6.561	13.557	0.525

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

31. The **procurement** of goods and works will be in accordance with IFAD guidelines, while consultancy services will be procured in accordance with procedures acceptable to the Fund. Goods valued at USD 150 000 or more will be procured under International Competitive Bidding procedures. Items costing more than USD 20 000 but less than USD 150 000, as well as contracts for civil works, will be procured under Local Competitive Bidding procedures. Procurements costing less than USD 20 000 will be by local/international shopping. Incremental recurrent expenditures, including salaries, allowances and other operating costs, will be incurred according to applicable government procedures.

32. The IFAD/BSF contribution to programme costs will be **disbursed** over six years. Disbursement of programme funds will be made for all eligible expenditures (excluding taxes and duties) against submission of full standard supporting documentation to IFAD, except in the case of: (a) contracts valued at less than USD 50 000 equivalent for goods, works or contracts with consultancy firms; and (b) repayments of less than USD 25 000 equivalent for consultancy contracts with individuals and for local training - all of which will be documented through certified Statements of Expenditures. In recognition of the recurrent costs problems faced by the Government and the need for sustenance of activities, the programme will finance: 100% of the recurrent costs in PYs 1 and 2, but will progressively reduce this to 80% in PYs 3 and 4, 50% in PY 5, and 30% in PY 6. The closing date of the loan is 30 June 2005.

33. The following **accounts** will be operated: (a) a Special Account by each of the three District Administrations denominated in United States dollars in an accredited commercial bank and on terms and conditions satisfactory to IFAD to finance all approved programme activities, except incremental credit; (b) a fourth Special Account, also in United States dollars, for a revolving credit fund operated by the Ministry of Local Government (MOLG) for use solely as an advance to UWFT for lending to SIDAs and women's groups; and (c) two Programme Accounts in Ugandan shillings, operated by each of the three District Administrations to hold, respectively, the Government's counterpart fund contribution and local currency transfers from the Special Accounts. The initial deposit in each of the Special Accounts will be USD 400 000. All accounts will be subjected to an annual and independent **audit** by auditors appointed by the Government's Auditor-General and acceptable to IFAD. Audited accounts and financial statements will be submitted to IFAD not later than six months after the end of the financial year.

F. Organization and Management

34. **Overall management.** The MOLG will have overall national responsibility for the programme, while at the district level the local councils will be responsible through their respective District Administrations. Because of the integrated nature of the programme and the numerous sectoral interests, the Inter-Ministerial Policy Committee will play an advisory role and provide direction relating to policy and strategic issues. Each of the district technical planning committees (DTPC), composed of heads of departments, will be chaired by the chief administrative officer, who will have ultimate authority for the management of programme affairs and be accountable for programme performance. To assist the chief administrative officer in the day-to-day implementation of programme components and activities, the District Planner will be designated programme coordinator. A programme accountant will be designated/appointed and charged with the operation of the Special and Programme Accounts.



35. **Programme implementation and participation.** The programme will be implemented through the mechanism of approved annual workplans and budgets. Relevant departments of each District Administration will have direct responsibility for development activities relating to each programme component:

- (a) in the specific case of **community development**, the component will be implemented through the Community Development Departments in collaboration with community groups, community committees and change agents - community volunteers who serve to form the linkage between their communities and the formal development structure;
- (b) day-to-day supervision and control of beneficiary **savings and credit** activities will lie with the groups themselves, with guidance as needed from staff of the Community Development Department and change agents. Each SIDA will be overseen by a SIDA development committee. UWFT will provide overall guidance to SIDAs and beneficiary groups relating to their activities and development and will administer the revolving credit fund;
- (c) the delivery of **health services** will be guided and coordinated by the District Health Team which will initiate annual health plans to reflect contributions of line agencies, NGOs and other donors involved in health service delivery in the district. At the community level, the Village Health Committee and Health Unit Management Committee will be intimately involved in the planning of community-based primary health care activities. At the village level, the village health workers, traditional birth attendants and school health committees will represent the communities in identifying their health needs;
- (d) at the sub-county level, the Sub-County Development Committee will have responsibilities relating to **water supply and sanitation**. At the parish level, authorities will identify local water and sanitation problems and formulate development plans with input by communities through the parish development committees. At the village level, water source committees and similar user groups and community members will manage, operate and maintain water supply source. Pump mechanics will be trained at the district level and will, in turn, train parish/village-level pump caretakers nominated by the communities through the water source committees. Drilling of boreholes will be by private contractors;
- (e) at the district level, the Public Works Department will have responsibility for **roads development**, with priorities set and the works overseen by the Parish Management Committee as well as the Sub-County Development Committee at the parish and sub-county levels, respectively. Communities will be deeply involved in the prioritization of the roads and contribute financially for the casting of culverts and in terms of labour for loading and laying of the culverts; and
- (f) the Production Department will be in charge of implementing the **agricultural development component**, with optimal use made of NGOs and private sector institutions under contract arrangements for specific activities, notably including the provision of clean planting materials.



36. **Monitoring and evaluation.** The planning units of the various District Administrations will be responsible for activity progress and impact **monitoring**. Programme monitoring will take place at three levels: (a) in the field, where community- and village-level activities are implemented, and involving change agents, staff of community development departments, field extension workers and all participating agencies which will be required to monitor their respective activities; (b) at the relevant sub-counties and counties, where the staff will operate as focal points for the compilation of recordings from the field; and (c) at the district level, the data will be streamlined, checked and forwarded to the programme coordinator and the chief administrative officer. The results of activity monitoring will provide a solid basis for quarterly; half-yearly and annual reports.

37. Programme **evaluation** will be based partly on the accumulated and interpreted data from periodic monitoring, but more importantly on specific impact measurement exercises at the mid-term review in PY 3 and close of donor support at the end of PY 6. A benchmark study covering the programme area will be undertaken prior to the active field commencement of activities so as to provide a concrete basis for eventual impact assessment.

G. Economic Justification

38. Production of coffee, banana and, to a lesser extent, cassava and sweet potato will increase. The expected crop output will find ready markets within the districts, in Kampala and the other larger municipal centres, and for export. Incremental output from fishery and livestock interventions will also be absorbed locally and are expected to add to the quality of diets. The financial impact of the productive activities on household incomes and return to labour is expected to be significant. For example, livestock and small-scale enterprises are estimated to add about UGX 438 000 and UGX 90 000 per year respectively to the household budget. Similarly, programme interventions concentrated on coffee and banana cultivation will result in 40% and 36% increases in household incomes, respectively. Return to family labour also for coffee and banana is estimated to increase by 44% and 28%, respectively, with programme intervention.

39. The economic analysis of programme activities is confined only to readily quantifiable direct benefits involving mainly coffee, banana, cassava and sweet potato cultivation and small-scale enterprises; secondary and linkage benefits from social interventions have not been quantified. The net benefit and cost streams generate an economic internal rate of return of 12% (Appendix VII). Improvement in water supply and sanitation will benefit 40 villages in Hoima District comprising about 35 000 individuals, as well as 11 primary schools with over 5 000 pupils and 15 health units. Similarly, in Kibaale about 32 000-36 000 people and 26 schools, with 13 000 pupils and three health units, will benefit from improved water supply and sanitation. Apart from reducing the incidence of water-borne disease and providing employment opportunities for community members and traders, the intervention will also ease significantly the labour burden, especially on women, for accessing clean water. In Hoima and Kibaale alone, improvement in rural roads will benefit about 100 villages comprising about 75 000 inhabitants. It will also increase access to markets, health services, schools and other social facilities, and enhance revenue collection. The increased production of coffee, banana and cassava will expand the domestic revenue base by adding an estimated UGX 600 million annually from graduated tax alone for Hoima and Kibaale.

H. Risks

40. The main risks associated with the programme, and the mitigation measures built into its design to counteract them, include the following: (a) inability of the District Administrations and the downstream local council set up to achieve proper efficiency and effectiveness of



implementation - minimized by provisions for training, orientation, supplementation of operating expenditure, incentive allowances and intensive programme supervision; (b) weak coordination and management and dilution of programme impact due to lack of skills by departmental staff and local council officials - remedied by the inclusion of management and leadership skills training; (c) difficulty in attracting and retaining qualified staff - the training, reorientation and support built into programme components will be helpful; (d) uptake of some of the technical activities may be less than expected - emphasis on participation founded on the success of group formation, reorientation of agricultural extension, and the involvement of NGOs and private sector agencies will minimize the impact of possible shortcomings; and (e) non-operationalization of cost-sharing and cost-recovery policies - a sensitive area which is being examined by the Government; in the specific case of programme interventions, the major investments will be dependent upon community commitment and acceptance of realistic cost implications.

I. Environmental Impact

41. It is expected that programme activities will have an overall positive net effect on the environment. The expected increases in agricultural productivity will come mostly from the use of improved cultivars and crop husbandry, with negligible use of agro-chemicals. The measures for health care, water and sanitation will result in a cleaner and safer environment and in reduced incidence of surface and groundwater contamination. The likely creation of drainage and water-logging problems, brought about by improper construction or rehabilitation of feeder roads and access tracks, will be remedied by providing appropriate training to communities and contractors involved in rural roads development. In any event, with only 35 km of feeder roads and 1 430 km of access tracks to be developed, the likelihood of any serious negative environmental effect is minimal.

J. Innovative Features

42. The creative features of the programme include the following: (a) the IFAD/BSF partnership and the complementary strategic thrusts of the two institutions have enabled the design of the programme to address the development of rural communities and resource-poor beneficiaries in a more comprehensive and holistic manner than would have otherwise been possible; (b) except in respect of Kabarole District, which is not covered under the ongoing H-KDICDP, the programme will have the distinct advantage of considerable mobilization, sensitization, training, group formation and other community capacity-building activities, which will enhance the pace of programme implementation; and (c) the crucial roles of home-grown local NGOs such as UWFT, and SIDAs, change agents and other community groups will enable the optimal utilization of existing knowledge, resources, expertise and skills in programme implementation; in this context, the real prospect of assisting several of the SIDAs to develop into accredited rural financial intermediaries is, indeed, innovative.

43. The programme features reflect the essence of IFAD's **corporate strategy**. From the outset, the programme has been formulated within an intensely consultative and participatory process involving the central Government, line departments of District Administrations, local council officials, NGOs, beneficiary communities and other donor agencies and stakeholders. This process will continue into programme implementation, based on beneficiary participation from the identification, planning, implementation and monitoring of programme activities through partnerships with implementation agencies selected for their expertise and performance. To ensure a targeted and focused implementation phase, the District Administrations will be strengthened and required to abide by the mechanisms and use of logical frame and annual work programmes and budgets for the planning, implementation, monitoring and evaluation of project activities.



PART III - LEGAL INSTRUMENTS AND AUTHORITY

44. A loan agreement between the Republic of Uganda and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.
45. The Republic of Uganda is empowered under its laws to borrow from IFAD.
46. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

47. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Uganda in various currencies in an amount equivalent to nine million five hundred thousand Special Drawing Rights (SDR 9 500 000) to mature on and prior to 15 May 2038 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan Negotiations concluded on 22 July 1998)

1. The Government of the Republic of Uganda (the Government) shall make funds available from the proceeds of the IFAD loan to UWFT, which in turn will make such funds available to participating SIDAs in order to finance the short and medium-term credit activities under the rural finance component of the programme, in accordance with the terms and conditions set out in the loan agreement. For the purpose of the short and medium-term credit activities, the Government shall enter into a subsidiary loan agreement with UWFT and shall cause the UWFT to enter into a subsidiary financing agreement with each participating SIDA. The Government shall bear the foreign exchange risk under the subsidiary loan agreement.
2. During the execution of the programme, the Government and IFAD shall periodically review the interest rates to be applied to the credits to be made out of the proceeds of the loan. The Government shall, if necessary, take all appropriate measures, consistent with the policies of the Government, to harmonize the interest rates on credits with IFAD's policy on relending rates.
3. The Government shall ensure that UWFT and each participating SIDA will minimize their costs in executing the short- and medium-term credit activities of the programme as it affects their margin of interest spread.
4. The Government, in consultation with IFAD, shall cause UWFT to establish and maintain in a commercial bank acceptable to IFAD a revolving credit fund for the programme for keeping therein the principal and interest, net of operating and other expenses, received on the credits made by UWFT to the SIDAs. The SIDAs shall in turn on-lend the funds received under the credits to groups and beneficiaries of the target group from the proceeds of the loan allocated to the revolving credit fund. Amounts available in the revolving credit fund shall be used by UWFT for the expansion of credit facilities consistent with the loan agreement.
5. The Government shall cause the UWFT, and ensure that the UWFT will cause each participating SIDA, to adopt and implement their respective credit by-laws for the short- and medium-term credit activities of the programme. The credit by-laws of UWFT shall be satisfactory to IFAD. The credit by-laws shall be applicable to the credits to be made available to the beneficiaries of the programme from the proceeds of the loan.
6. For the purpose of making funds available under the short- and medium-term credit activities of the programme, a Special Account (Credit Fund Special Account) shall be set up by MOLG.
7. (a) The Government shall cause Hoima District Local Government (DLG), Kibaale DLG and Kabarole DLG each to open and thereafter maintain in a commercial bank satisfactory to IFAD two Programme Accounts held in Ugandan Shillings:
 - (i) one such Programme Account ("District Programme Account A") shall be an operational account for the purpose of holding funds in local currency transferred from the respective district Special Account, in support of payments for IFAD's share of expenditures;



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- (ii) the other Programme Account ("District Programme Account B") shall hold the Government's counterpart funds, as described in paragraph 7(b) for the purpose of making payments for the Government's share of expenditures.

(b) The Government shall deposit an initial amount equivalent to twenty five thousand United States dollars (USD 25 000) from its own resources into each of the three individual District Programme Accounts B and shall thereafter, at least one month in advance, replenish each of the District Programme Accounts B by depositing the required local counterpart funds to be provided by the Government as estimated in the respective districts' annual work plan and budgets (AWP/Bs).

(c) The DLGs of the respective districts shall be fully authorized to operate the District Programme Account A and District Programme Account B for those districts.

8. The following is an additional event for the suspension of the right of the Government to make withdrawals from the loan account:

the UWFT's credit by-laws, or any provision thereof, shall have been suspended or terminated in whole or in part, or waived, or amended so as to, in the reasonable opinion of IFAD, affect materially or adversely the carrying out of the short and medium-term credit activities of the programme or the operation of the facilities completed under the programme.

9. The following is specified as an additional matter to be included in the legal opinion to be furnished to IFAD:

that the Memorandum of Understanding to be entered into between the Government and UWFT with respect to the arrangements necessary for carrying out the rural credit systems development, UWFT implementation support and beneficiary training sub-components of the rural finance component of the programme shall be legally binding and enforceable under the laws of the Republic of Uganda.

10. No disbursement shall be made in the Kabarole District of the programme area until the Government shall have completed the needs analysis of, and the design and modalities for the implementation of programme activities in, Kabarole, which needs analysis and design and modalities shall be satisfactory to and approved by IFAD.

11. No disbursements shall be made for any individual district (i.e., Hoima, Kibaale, Kabarole) from the loan until:

- (a) a programme implementation manual for that district shall have been submitted to and approved by IFAD;
- (b) the Government's initial counterpart contribution of USD 25 000 for that district shall have been deposited into the District Programme Account B; and
- (c) the district's AWP/B for programme year 1 shall have been prepared by the programme coordinator (PC) for that district, and submitted to IFAD through MOLG, for its review and approval.



12. No withdrawals shall be made from the loan in respect of:
- (a) the short and medium-term credit activities of the rural finance component of the programme until such time as the Government, through the Ministry of Finance, Planning and Economic Development (MFPED), shall have entered into a subsidiary loan agreement with UWFT, which subsidiary loan agreement shall be consistent with the terms of the loan agreement and be acceptable to IFAD;
 - (b) payments to any individual SIDA for the short and medium-term credit activities of the rural finance component of the programme, until such time as the UWFT shall have entered into a subsidiary financing agreement with that SIDA; and
 - (c) the rural credit systems development, UWFT implementation support and beneficiary training sub-components of the rural finance component of the programme, until the Government shall have entered into a Memorandum of Understanding with UWFT, satisfactory to IFAD, for UWFT to carry out activities in accordance with the provisions of the loan agreement.
13. The following are specified as additional conditions precedent to the effectiveness of the loan agreement:
- (a) the Government, through MFPED, shall have designated and appointed the chief administrative officer (CAO) in each district, satisfactory to IFAD, as the accountable person for programme affairs and finances in that district;
 - (b) each of the DLGs shall have designated the district planner, who shall have relevant project implementation experience, as the PC in that district; and
 - (c) each of the DLGs shall have designated/appointed the district accountant, or recruited a qualified and experienced accountant, as programme accountant (PA) for that district, which PA shall be satisfactory to IFAD, to work under the direct supervision of the programme's chief finance officer.
14. The Government shall ensure that the counterpart funds required to be deposited by it into the District Programme Accounts B, in the amounts established in the district AWP/Bs for each programme year, shall be timely.
15. The Government shall ensure that the National Agricultural Research Organization (NARO) will relinquish control of the Bulindi District Farm Institute and any other District Farm Institute in the programme area deemed viable for commercialization, so that it/they may operate as (an) independent and self-financing entity(ies) servicing a variety of stakeholders and purposes.
16. The Government shall ensure that:
- (a) the CAO for each district will have the records and accounts of the programme (including the District Special Accounts, Programme Accounts A and B, and Statements of Expenditures) audited at the end of each fiscal year by the Auditor General, or any other independent auditor appointed by the Auditor General and acceptable to IFAD;



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- (b) the audit reports on the District Special Accounts, Programme Accounts A and B, and Statements of Expenditures for each district are submitted to IFAD in an agreed format within six (6) months of the end of each fiscal year; and
 - (c) the CAO for each district will respond to the Auditor's management letter within two (2) months of its receipt, setting forth the actions taken or proposed to be taken in response to any comments raised therein.
- 17. The Government shall ensure that:
 - (a) the Permanent Secretary (PS) of MOLG will have the records of the revolving credit fund and Statements of Expenditure for the programme, audited;
 - (b) the audit reports will be prepared and submitted in an agreed format to IFAD within six (6) months after the end of every fiscal year during implementation of the programme; and
 - (c) the PS of MOLG will respond to the Auditor's management letter within two (2) months of its receipt.
- 18. The Government shall ensure that the CAOs of Hoima and Kibaale will make available to the programme's implementing departments in their respective districts, all vehicles, equipment, machinery and office facilities (including computers and accessories) funded from the proceeds of the ongoing Belgian Survival Fund (BSF)-financed Hoima-Kibaale District Integrated Community Development Project (IFAD Grant No. 005-BG).
- 19. The Government shall ensure that MOLG shall submit consolidated half-yearly and annual reports in a format acceptable to IFAD, based on the reports prepared and submitted by each PC, within 30-45 days after the end of each six-month period and fiscal year, respectively.
- 20. The Government shall ensure that all relevant ministries involved in the programme, including the Ministry of Health, regularly attend the Inter-Ministerial Policy Committee (IPC) meetings.
- 21. The Government shall ensure that a series of participatory rural appraisals are initiated immediately after programme effectiveness in order to establish monitoring and impact evaluation indicators for the programme.
- 22. The Government shall ensure that the CAOs submit to IFAD, through MOLG, a consolidated implementation completion report in a format acceptable to IFAD within two (2) months prior to the programme implementation completion date.
- 23. The Government shall ensure that upon completion of programme activities, MFPED shall make satisfactory arrangements for the capital value of the revolving credit fund to be equitably apportioned among, and used to continue to support the operations of, those SIDAs participating in the short- and medium-term credit activities under the rural finance component of the programme.



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24. The Government shall ensure that for purposes of the mid-term review (MTR), it shall submit to the Fund a consolidated draft MTR report prepared internally by each of the DLGs on the status of programme implementation, during the fourth quarter of the third year of programme implementation.

25. The Government shall ensure that UWFT shall not on-lend, or continue to on-lend, to any SIDA whose credit by-laws have been suspended or terminated in whole or in part, or waived, or amended so as to, in the reasonable opinion of the Government or UWFT, affect materially or adversely the carrying out by that SIDA of the short- and medium-term credit activities under the rural finance component of the programme.



UGANDA COUNTRY DATA

Land area (km² thousand) 1994 1/	241	GNP per capita (USD) 1995 2/	240
Population (million) 1995 1/	20	Average annual real rate of growth of GNP per capita, 1985-95 2/	2.8
Population density (population per km²) 1995 1/	96	Average annual rate of inflation, 1985-95 2/	65.5
Local currency	Uganda Shilling (UGX)	Exchange rate: USD 1 =	UGX 1 150
Social Indicators		Economic Indicators	
Population (average annual rate of growth) 1980-95 1/	2.7	GDP (USD million) 1995 1/	5 655
Crude birth rate (per thousand people) 1995 1/	49	Average annual rate of growth of GDP 1/ 1980-90	3.1
Crude death rate (per thousand people) 1995 1/	19	1990-95	6.6
Infant mortality rate (per thousand live births) 1995 1/	98	GNP per capita (USD) 1994/3	190
Life expectancy at birth (years) 1995/3	50.4	Sectoral distribution of GDP, 1995 1/	
Maternal mortality rate (per 100,000 live births) 1990/3	1 200	% agriculture	50
Number of rural poor (million) 4/	5.4	% industry	14
Poor as % of total rural population 4/	33.0	% manufacturing	6
Total labour force (million) 1995 1/	9	% services	36
Female labour force as % of total, 1995 1/	48	Consumption, 1995 1/	
Human Development Index value, 1995/3	0.328	Government consumption (as % of GDP)	10
Gender Development value, 1995/3	0.38	Private consumption (as % of GDP)	83
Women's Share of adult labour force/age	48	Gross domestic savings (as % of GDP)	7
Female economic activity rate at %	90	Balance of Payments (USD million)	
Human Poverty Index (% of population), 1996/3	41.3	Merchandise exports, 1995 1/	461
Population below national poverty line, 1989-94	55	Merchandise imports, 1995 1/	1 058
Education		Balance of trade	- 597
Primary school enrolment (% of age group total) 1993 1/	91	Current account balances (USD million)	
Adult literacy rate (% of total population) 1994 3/	61.1	before official transfers, 1995 1/	- 798
- males	73.2	after official transfers, 1995 1/	- 428
- females	48.7	Foreign direct investment, 1995 1/	121
Nutrition		Net workers' remittances, 1995 1/	0
Daily calorie supply per capita, 1992 3/	2 162	Income terms of trade (1987=100) 1995 1/	47
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	69	Government Finance	
Prevalence of child malnutrition (% of children under 5) 1989-95 1/	23	Overall budget surplus/deficit (as % of GDP) 1994 1/	n.a.
Health		Total expenditure (% of GDP) 1994 1/	n.a.
People per physician, 1993 1/	22 399	Total external debt (USD million) 1995 1/	3 564
People per nurse, 1993 1/	6 762	Total external debt (as % of GNP) 1995 1/	33.4
Access to safe water (% of population) 1990-96 3/	38	Total debt service (% of exports of goods and services) 1995 1/	21.3
Access to health service (% of population) 1990-95 3/	49	Nominal lending rate of banks, 1995 1/	20.2
Access to sanitation (% of population) 1990-96 3/	64	Nominal deposit rate of banks, 1995 1/	7.6
Land Use			
Agricultural land as % of total land area, 1994 1/	43		
Forest and woodland area (km ² thousand) 1990 1/	63		
Forest and woodland area as % of total land area, 1990 1/	32		
Irrigated land as % of arable land, 1994 1/	0.1		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified

1/ World Bank, *World Development Report*, 1997.2/ World Bank, *Atlas*, 1997.3/ UNDP, *Human Development Report*, 19974/ UNDP, *Human Development Report*, 1996.

PREVIOUS IFAD LOANS AND GRANTS IN UGANDA

Loan No.	Project Title	Progr.	Terms of Loan	Board Approval Date (1)	Effectiveness Date	Actual Extended Closing Date	Coop. Inst.	BSF million			SDR million		
								Total BSF Grant Amount	Total BSF.JP-IFAD Grant Disbursement as at May 1998		Original IFAD Loan	IFAD Loan Disbursement as at 5 May 1998 (2)	
BG 15-UG	A. Ongoing projects Masindi Integrated Community Development	BSF	Grant	19 Oct. 95	28 Mar. 96	30 Jun. 00	UNOPS	150.00 (3)	107.389	71.6%	--	--	--
BG 09-UG	UWESO Development	BSF	Grant	17 Jun. 94	6 Feb. 95	30 Jun 99	UNOPS	50.00 (4)	42.169	84.3%	--	--	--
BG 05-UG	Hoima Integrated Community Development	BSF	Grant	20 Sept. 90	11 Oct. 91	31 Dec. 98	UNOPS	330.00	324.346	98.3%	--	--	--
360-UG	Cotton Sub-Sector Development	Regular	h.c.	20 Apr. 94	18 Nov. 94	31 Dec. 99	IDA	--	--	--	8.95	3.587	40.1%
	Subtotal							530.00	473.904	n.a.	8.95	3.587	n.a.
	B. Closed loans												
316-UG	Smallholders Cotton Rehabilitation	Regular	h.c.	2 Dec. 92	28 Apr. 93	31 Jan. 98	IDA	--	--	--	7.15	6.62	92.5%
SRS-010-UG	Southwest Region Agricultural Rehabilitation	SPA	h.c.	4 Dec. 87	17 Aug. 88	28 Feb. 96	IDA	--	--	--	9.10 (5)	8.12	89.2%
159-UG	Agricultural Development	Regular	h.c.	12 Dec. 84	14 May 86	30 Sept. 93	IDA	--	--	--	14.60	12.83	87.9%
080-UG	Agricultural Reconstruction Programme in Northern and Eastern Uganda	Regular	h.c.	17 Dec. 81	18 Apr. 82	30 Jun. 86	IDA	--	--	--	16.55 (6)	15.81	95.5%
	Subtotal							530.00		n.a.	47.40	43.38	n.a.
	C. Approved but still not effective												
442-UG	Vegetable Oil Development	Regular	h.c.	29 Apr. 97	*	*	IDA	--	--	--	14.35* (7)	*	*
	Total							530.00	473.904	n.a.	56.35	46.96	n.a.

(1) Date of loan signing in case of BSF-assisted projects.

(2) Equals loan amount net of cancellations for closed projects.
awaiting effectiveness

(3) Does not include a fully disbursed Special Operations Facility (SOF) grant of USD 60 000.

(4) Does not include a fully disbursed SOF grant of USD 25 000.

(5) Does not include a SOF grant of USD 300 000, of which USD 286 000 were disbursed.

(6) Does not include a fully disbursed IFAD grant of SDR 875 000.

(7) Does not include fully disbursed SOF grants of USD 100 000 by IFAD and USD 150 000 from Danish Trust Funds.

* Project signed 26 May 1998 and

n.a. not applicable
h.c. highly concessional





LOGICAL FRAMEWORK

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>DEVELOPMENT GOAL:</p> <p>To alleviate chronic poverty through increased farm and household productivity and income, and the provision of social and welfare infrastructure and services, for up to 105 000 households in Hoima and 150 000 in Kabarole, thereby raising the standard of living and resilience of way of life of the poor, and significantly augmenting the Government's poverty eradication effort.</p>	<p>Outputs and sales values of crop and livestock products at the household, community and district levels.</p> <p>Household income, food self-sufficiency, water availability, hygiene and nutritional status.</p> <p>Reduction of illness and disease incidence and severity.</p> <p>Ease of access for trade, transportation; improvement of demand and prices for key products; overall economic growth.</p>	<p>Records of offtake, production, sales and overall revenues.</p> <p>Initial baseline survey, and periodic reviews of household incomes, food sufficiency and consumption, health status, including health management information system data.</p> <p>Case studies and surveys of impact and benefit from specific interventions.</p> <p>Market and price statistics and measures of district economic performance, such as UNDP data.</p>	<p>Political will for transformation of district management pattern and use of specialist NGO/private agencies.</p> <p>Further restructuring to enable effective decentralization and commercialization of institutions and functions.</p> <p>Macroeconomic factors and conditions continue stable and liberal.</p>



Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>OBJECTIVES AND STRATEGY:</p> <ul style="list-style-type: none"> - districts, sub-counties, parishes, villages, groups and communities with incentive, capability and means to plan, prepare, finance, implement and manage subprojects and enterprises; - community development capability to intensify and reinforce empowerment already achieved by groups and SIDAs and link in to an NGO/group rural finance intermediation system with adequate lending capacity; able to become self-financing; and sustainable microfinance institutions; - improved productive systems established and operating for traditional cash/food crop farmers, livestock keepers and fisherfolk, through demand-driven and responsive extension, back-up buyer/seller linkages, and inputs and credit supply; - better health for people presently without safe water and adequate sanitation and increasing numbers of primary school children; through clean water, sanitation and effective, affordable health services; - access roads and tracks and feeder roads rehabilitation, swamp crossing and bridge construction, with major community inputs and operational responsibility; and construction of a lake shore access road, if feasibility is proven; and, - help to provide local communities and district and local council agencies with organization, training and finance to enable them to plan, fund, execute and manage development activities within a participatory, community-based strategy of assisting productive subprojects and social facilities and services; social mobilization, technical assistance, training, institutional development and extension inputs by line agencies, NGOs and private sector suppliers. 	<p>Numbers of sites, facilities and services developed; plans produced and executed.</p> <p>Number of households reached and output/sales per household and community/group.</p> <p>Research and demonstrations of better techniques, materials and enterprises; contacts and contracts facilitated.</p> <p>Health management system records; school enrolment and achievement; wells and works completed and operating.</p> <p>Roads, tracks, culverts and bridges constructed and/or rehabilitated and maintained.</p> <p>Number of officials reoriented /trained, funds flow enhanced and NGOs/staff operational.</p> <p>Number of communities mobilized, organizations set up/proficient; initiatives and enterprises supported and executed.</p>	<p>Routine records and surveys as above.</p> <p>Reports of main line agencies involved.</p> <p>Reports of participating groups, SIDAs, NGOs.</p> <p>Quarterly, biannual, annual programme M&E records, accounts and management and ad hoc reports.</p> <p>Morbidity and mortality statistics Mid-term Review findings.</p>	<p>Community participation as expected.</p> <p>Full support from the national, district, sub-county, parish and village-level authorities.</p> <p>Autonomy and flexibility for programme management; good coordination and distribution of responsibilities among the different participating agencies.</p> <p>Enthusiastic and effective cooperation of the line agencies and NGOs concerned and private sector participation.</p> <p>Stability of non-programme income and economic factors, at least until meaningful benefits flow.</p>



Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>OUTPUTS:</p> <p>Community Development</p> <p>Over 1 200 functional and cohesive groups and community organizations with incentive, capability and means to plan, prepare, finance and implement locally-conceived development activities.</p> <p>Some 9 000 people and local council leaders functionally literate, better able to contribute; and cognisant of child/youth issues.</p> <p>All local council leaders and office bearers practising participatory approach.</p> <p>Rural Finance</p> <p>SIDAs in all 29 sub-counties with effective savings/credit systems, effective management and viability/sustainability as microfinance institutions .</p> <p>Some 2 200 short- and 200 medium-term loans per year by PY 6.</p> <p>Income, living standards, productive occupation of women/youth increased.</p> <p>Health and Nutrition</p> <p>Six health units built, operational, with trained, effective staff; accessible, affordable services and adequate drugs supply for 600 000 people long-term; revolving drug fund operative, supplied.</p> <p>Measurable reduction in morbidity, mortality, malnutrition.</p> <p>Coherent planning, control, provision of health, nutrition services.</p>	<p>As above, plus:</p> <p>Groups in community activity, enterprises; regularity of publicity output; agencies, staff trained, engaged in participatory plan process.</p> <p>Number of community centres rehabilitated: numbers functionally literate; child/youth troubles down.</p> <p>Numbers of women/youth groups involved in income-generating activities/business.</p> <p>Growth savings and loans portfolio; recovery and drop-out rates.</p> <p>Numbers of health facilities, services available; personnel trained, committees active.</p> <p>Numbers ill, dying, under-nourished.</p> <p>Numbers traditional birth attendants, village health workers trained, operative.</p>	<p>Surveys, records and reports as above, plus:</p> <p>Village, parish, sub-county and district council annual plans, budgets and periodic reports.</p> <p>Education records.</p> <p>Ad hoc/periodic subproject and scheme reports.</p> <p>Group and SIDA accounts and reports.</p> <p>UWFT records/reports; and case studies/surveys.</p> <p>Departmental reports plans and contract records.</p> <p>Health Management Information System records of morbidity, mortality, nutrition status.</p> <p>Joint donor M&E data.</p> <p>Water Source Committee proceedings and records/accounts; contract documents.</p>	<p>Active involvement and commitment of local community with a demand-driven approach.</p> <p>Improved negotiation power so beneficiaries obtain favourable agreements and conditions from agencies and suppliers.</p> <p>Effective contract tendering and control.</p> <p>Programme staffed/managed as expected - and performance satisfactory.</p> <p>All health service actors cooperative in planning, operations and M&E.</p> <p>Health unit management committees able to manage revolving drug fund.</p>



Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>Water and Sanitation</p> <ul style="list-style-type: none"> - 80 villages, 47 schools, 18 health centres and 70 000 people with proper water supply from 220 wells and 80 rainwater catchments. - For same numbers, better sanitation from 400 ventilated improved pit latrines and 6 000 sanplats. <p>Rural Roads</p> <ul style="list-style-type: none"> - Some 1 430 km access roads/tracks and 35 km feeder roads improved, 240 culverts and 10 bridges constructed, serving 100 villages/75 000 people. - Enhanced mobility/capability for Directorate for Water Development to assist community roads work. - Prospect of enhanced social/economic development of lake shore areas. <p>Agricultural Development</p> <ul style="list-style-type: none"> - Up to 30 000 households with significantly increased farm/fishing outputs. - Effective extension system and cadre, responsive to farmer, group and community needs and aspirations. - 20 existing, up to 10 new planting material nurseries and 40 ha of farm-farm schemes and up to 200 livestock, fishing, apiculture enterprises. - Practical, self-sustaining training, extension and support programmes from public, NGO and private sources. - Effective service provision through Government, NGO and private sector assistance and extension channels. <p>Management Capacity-Building and Institution-Strengthening</p> <ul style="list-style-type: none"> - Proficient planning and implementation systems in 2 districts, 29 sub-counties, 116 parishes and over 1 200 villages (as well as those in Kabarole, in due course). - Increased tax, fee and licence revenue at local level. - Streamlined, simple M&E systems giving usable data for decision-making and better management and impact assessment. 	<p>Number water sources set up or improved and operational.</p> <p>Numbers built/operating.</p> <p>Number of works, length of roads/tracks.</p> <p>Numbers functional local roads units. Records of volumes and prices of outputs.</p> <p>Condition of the local/village infrastructure.</p> <p>Yield statistics, and production increases.</p> <p>Household income and home consumption increases.</p> <p>Numbers of meetings, demonstrations, courses and sessions.</p> <p>Numbers of schemes, subprojects, works - planned, completed and operating.</p> <p>Volume and value of tax take and total revenues to villages, parishes and sub-counties.</p> <p>Numbers, user-friendliness and actionable quality of M&E output.</p>	<p>Status reports of water and education departments.</p> <p>Department and local council statistics/reports; contract documents.</p> <p>Planning reports.</p> <p>Surveys and studies of catches, produce trading, tax records.</p> <p>Agency and enterprise, case study and survey records.</p> <p>Contract papers for NGO and private company involvement.</p> <p>Reception feedback and critiques.</p> <p>Programme progress and M&E reports.</p> <p>Tax records and district budgets/reports.</p> <p>Consultant/technical assistant reports and M&E reports.</p> <p>Evaluation and completion Reports.</p>	<p>Volition, conviction and commitment of beneficiary communities.</p> <p>Cooperation and enthusiasm of the assisting line agencies.</p> <p>Intensive and effective IFAD supervision and decisive management follow-up.</p> <p>Proper functioning of the tendering, procurement, contract, accounting and reporting systems and procedures.</p>

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>INPUTS:</p> <ul style="list-style-type: none"> - Community mobilization, orientation and beneficiary training on: community development; enterprise/project management; group dynamics; literacy and child/youth issues; savings and credit; health and nutrition provision and management; water supply and roads maintenance and management; farming/fisheries techniques and systems demonstration; and village, parish and sub-county affairs and development. - Line agency, local council and NGO staff and officials training and orientation on the same range of subject matter, plus management, accounting, monitoring and evaluation, revenue collection, participatory planning and technical aspects of health, water, roads and agriculture components. - Promotion, publicity and communications; introduction and support of cost-recovery/sharing systems and procedures. - Credit funds; and associated supply and management systems. - Buildings and equipment for community centres, literacy and human development, health centres and staff housing, water sources and sanitation facilities, roads, revenue/parish offices, water supply. - Drilling and fitting of wells, rainwater catchments, other sources; construction/rehabilitation and assistance with maintenance of roads, tracks, crossings and bridges. - Studies and support for establishment of SIDA and other groups and approved group/joint venture activities and enterprises. - Materials and supplies for all activities, especially drugs and medical kits and materials for nurseries. - New vehicles, computers, office and technical equipment and operating expenses, including substantial provision for maintenance and operation of existing vehicles and equipment - and utilities. - Institutional reorganization, strengthening and support - district, sub-county, parish, village, group and community, through contract NGO services, by technical assistance and consulting services, and additional resources. 	<p>Targets filled for materials, vehicles, equipment selected, procured on time, supplied, and operational.</p> <p>Numbers and types of staff and technical assistants/NGOs selected and appointed.</p> <p>Numbers of courses/sessions, demonstrations planned and completed, with feedback.</p> <p>Number and types of maintenance, operation and management systems set up and proven.</p> <p>Numbers and amounts of funds requested, released, committed and reimbursed.</p>	<p>As above, plus:</p> <p>Programme cost and management accounts.</p> <p>Training institution/agency records and technical assistance reports.</p> <p>Contract and progress documents for works tendered, completed and accepted.</p>	<p>Continuing enthusiasm of the beneficiaries and dedication, conscientious working of management and staff.</p> <p>Sound management, disciplined recording and use of control data: timesheets, logbooks, progress charts and diaries of activity.</p> <p>Effective participating agencies and contractor engagement.</p> <p>Non-interference, no distortion from external sources, local or national; and effective resolution of conflicting interests/disputes.</p>

QUANTITATIVE INPUTS, TARGETS AND KEY PROGRAMME FACTORS

OBJECTIVES								INCREMENTAL FARM INCOME (UGX '000)																																																																																																			
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Specific Objectives 1. Establish motivated and institutionally equipped community-based administrations and groups that plan, prepare and manage selected development activities and enterprises. 2. Reinforce the people empowerment, particularly women, with self-financing and sustainable rural financial institutions 3. Promote improved, viable and productive systems for traditional cash and food crop farmers, livestock keepers and fisherfolk. 4. Improve the population's health through proper maternal and child health care services, safe water and adequate sanitation. 5. Expand produce marketing and trading opportunities through the rehabilitation of access roads, tracks and feeder roads.												<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Field Year</th> <th>Gross Output</th> <th>Input Costs</th> <th>Cash Flow</th> </tr> </thead> <tbody> <tr><td>1</td><td>66</td><td>66</td><td>-</td></tr> <tr><td>2</td><td>174</td><td>60</td><td>114</td></tr> <tr><td>3</td><td>201</td><td>61</td><td>140</td></tr> <tr><td>4</td><td>229</td><td>59</td><td>170</td></tr> <tr><td>6</td><td>284</td><td>63</td><td>221</td></tr> <tr><td>8-20</td><td>304</td><td>68</td><td>237</td></tr> </tbody> </table>				Field Year	Gross Output	Input Costs	Cash Flow	1	66	66	-	2	174	60	114	3	201	61	140	4	229	59	170	6	284	63	221	8-20	304	68	237																																																																
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2. Financial Services Systems development, improved practice, technical assistance and studies. Provision of incremental credit funds. Staff and beneficiary training as well as management support through UWFT.																																																																																																											
3. Social Services Improvement of health, water supply and sanitation infrastructure. Training support for staff and communities in health management. Provision of a revolving drug fund. Rehabilitation of rural road infrastructure, including the provision of training, tools and materials to communities.																																																																																																											
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3. Health and Nutrition Outputs Dispensaries / Maternity Units - units Staff trained - persons																																																																																																											
4. Water and Sanitation Outputs Boreholes with handpumps - units Rainwater catchment installations - units Sanitation sanplats - units VIP latrines - units																																																																																																											
5. Agricultural Development Outputs Adopting farms (chief crop banana) - households Adopting farms (chief crop coffee) - households Fishing and processing - households Incremental Production: Distilling Banana - t Robusta Dried Coffee - t Eating Banana - t Cassava - t Sweet Potato - t																																																																																																											
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CATEGORY-WISE DISBURSEMENT ACCOUNTS BY FINANCIERS
(USD million)

Category	IFAD	BSF	Government	Beneficiaries	Total (% of Total Cost)	Foreign Exchange	Local Currency (excl. taxes)	Duties and Taxes
I. Civil works								
(a) Buildings	0.7486	0.4041	0.0089	0.1347	1.2963 (6.3)	0.4226	0.8648	0.0089
(b) Roads	1.6908	-	-	-	1.6908 (8.2)	0.5072	1.1835	-
(c) Water supply	-	2.4442	-	-	2.4442 (11.8)	0.4926	1.9516	-
Subtotal civil works	2.4394	2.8483	0.0089		5.4313 (26.3)	1.4224	2.9999	0.0089
II. Vehicles and equipment								
(a) Vehicles	1.2264	0.2287	0.3400	-	1.5751 (7.6)	1.0037	0.4550	0.3362
(b) Equipment and materials	1.2125	0.0838	0.0315	-	1.3278 (6.4)	1.7470	0.5493	0.0315
(c) Sanitation	-	1.3993	0.1208	0.0106	1.5307 (7.4)	1.2353	0.1746	0.1208
Subtotal vehicles and equipment	2.4389	0.3125	0.4923		4.4336 (21.5)	2.9869	1.1789	0.4885
III. Training, studies and technical assistance (TA)								
(a) Training	1.1126	0.2085	0.0059	-	1.3270 (6.4)	0.2190	1.1021	0.0059
(b) TA/studies	2.6121	0.0871	0.0062	-	2.7054 (13.1)	0.3324	2.3668	0.0062
Subtotal training TA/studies	3.7247	0.2956	0.0121		4.0324 (19.5)	0.5514	3.4689	0.0121
IV Revolving credit								
(a) Short-term	0.9662	-	-	-	0.9662 (4.7)	-	0.9662	-
(b) Medium-term	0.4187	-	-	-	0.4187 (2.0)	-	0.4187	-
Subtotal credit	1.3849				1.3849 (6.7)	-	1.3849	-
V. Recurrent costs	2.6003	0.6774	1.0353		4.3130 (20.9)	1.4214	2.8759	0.0158
VI. Other beneficiary contribution								
(a) Financial	-	-	-	0.2282	0.2282	-	0.2282	-
(b) Labour	-	-	-	0.6013	0.6013	0.1804	0.4209	-
Total costs	12.5882	5.5330	1.5485	0.9749	20.6445 (100)	6.5661	13.5576	0.5253
	(61.0)	(26.8)	(7.5)	(4.7)				





ORGANIZATION AND MANAGEMENT

IMPLEMENTATION ROLES AND RESPONSIBILITIES

1. The organization and management for programme implementation is briefly described in the main report and operational linkages are depicted in the present appendix. To ensure effective planning, implementation and monitoring of programme activities, the roles and responsibilities of the different stakeholders are broadly described.

Ministry of Local Government

2. The MOLG will be the lead agency, with responsibilities attributed to the Permanent Secretary for:

- (a) initial programming and set-up of the programme facilities, services and systems;
- (b) providing the link on national policy and strategy matters with the other central ministries, which will be supporting agencies, principally The Ministry of Finance, Planning and Economic Development (MFPED), the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF), the Ministry of Gender, Labour and Social Development (MGLSD), the Ministry of Water, Lands and Environment (MWLE), the Ministry of Health (MOH) and the Ministry of Works, Housing and Communications (MWHC); and associated parastatal agencies such as the National Agricultural Research Organization (NARO) and the Bank of Uganda (BOU);
- (c) acting as the focus for the outflow and feedback of programme information and for district, government and donor exchanges in its interpretation and use in support of further and wider decentralization development;
- (d) brokering the contract agreement between MFPED, BOU, the District Administrations and UWFT for the execution of the rural finance activities;
- (e) convening and moderating, jointly with District Administrations, the start-up workshop;
- (f) providing the overall liaison and secretariat capability for the entire programme and assigning key staff for back-up to programme operations when required; and
- (g) offering and helping to procure services in support of both community organization and agricultural and economic development activities.

3. MOLG will also be a beneficiary of the institutional strengthening inputs.

District Administrations

4. The respective District Administrations will be the key programme implementation agencies and will provide the necessary conducive environment and political framework for execution by:



- (a) co-moderating the start-up workshop and formulating programme systems and procedures for departmental and private and NGO sector involvement and cooperation, including the updating of monitoring and evaluation;
- (b) enabling and encouraging the reorientation and training of staff and their devotion to programme activities;
- (c) activating and energizing District Technical Planning Committee (DTPC) operations and expediting the process of consultation and agreement with the appropriate sector or executive committee of the council for programme funding and actions;
- (d) incorporating all programme interventions into their participatory planning systems and achieving timely completion and approval of - and adherence to - the various district development plans involved;
- (e) ensuring their effective execution by disciplined and proficient management, including careful control of resources and activities, transparent procurement and funds allocation procedures, and clear accounting; and
- (f) arranging the commercialization of the Bulindi District Farm Institute and the contracting for programme purposes of NGO and private sector inputs described below.

Local Councils

5. Local councils, especially at the sub-county, parish and village levels (LC-1 to 3) will be involved with:

- (a) coordinating work embracing more than one village or community, especially in the context of initiatives that cover wider natural areas or sectors, such as crop disease control, roads and institutional development;
- (b) facilitating liaison, consultation and cooperation in compiling and forwarding local plans and reporting on local programme progress;
- (c) orientation and training of their cadres and subsidiary organizations and assuring their technical inputs to activities;
- (d) supporting target group consultation and community mobilization; and
- (e) encouraging the participation of SIDAs, water source committees, community health committees, school health committees other *bona fide* groups and NGOs involved in social and economic advancement, and in the ordering and management of local affairs generally.

Community Level

6. The various communities at the district, county, sub-county, parish and village levels (LC-1 to 5) will be the prime clients of programme assistance and will have a key part to play, notably in:

- (a) nominating the appropriate persons or entities from among their membership to serve on programme and community committees and giving due diligence to its development activities;



APPENDIX VI

- (b) promoting the programme, seeking to widen its scope, and enhance impact and replication by adapting their work plans to successful initiatives and securing the interest of other donors; and
- (c) providing a positive, transparent and supportive environment for programme and community activities; and for the assurance of their continued funding and sustainability.

Non-Governmental Organizations and the Private Sector

7. Among the NGOs, UWFT will be the contractor for implementation of all rural finance support activities through:

- (a) provision of senior staff for promotion, management and support of the savings and credit operations and development of systems and procedures for SIDAs and groups;
- (b) arranging and supervising these systems and monitoring their efficient operation, in conjunction with the SIDAs, groups, Community Development Departments and planning units;
- (c) the inculcation and facilitation, including supply and management, of funding for savings and credit schemes in support of community development and enterprise activities; and
- (d) individually or jointly with others, providing organizational, administration and business training services in respect of financial and credit management for groups and SIDAs, and for local council officials and staff.

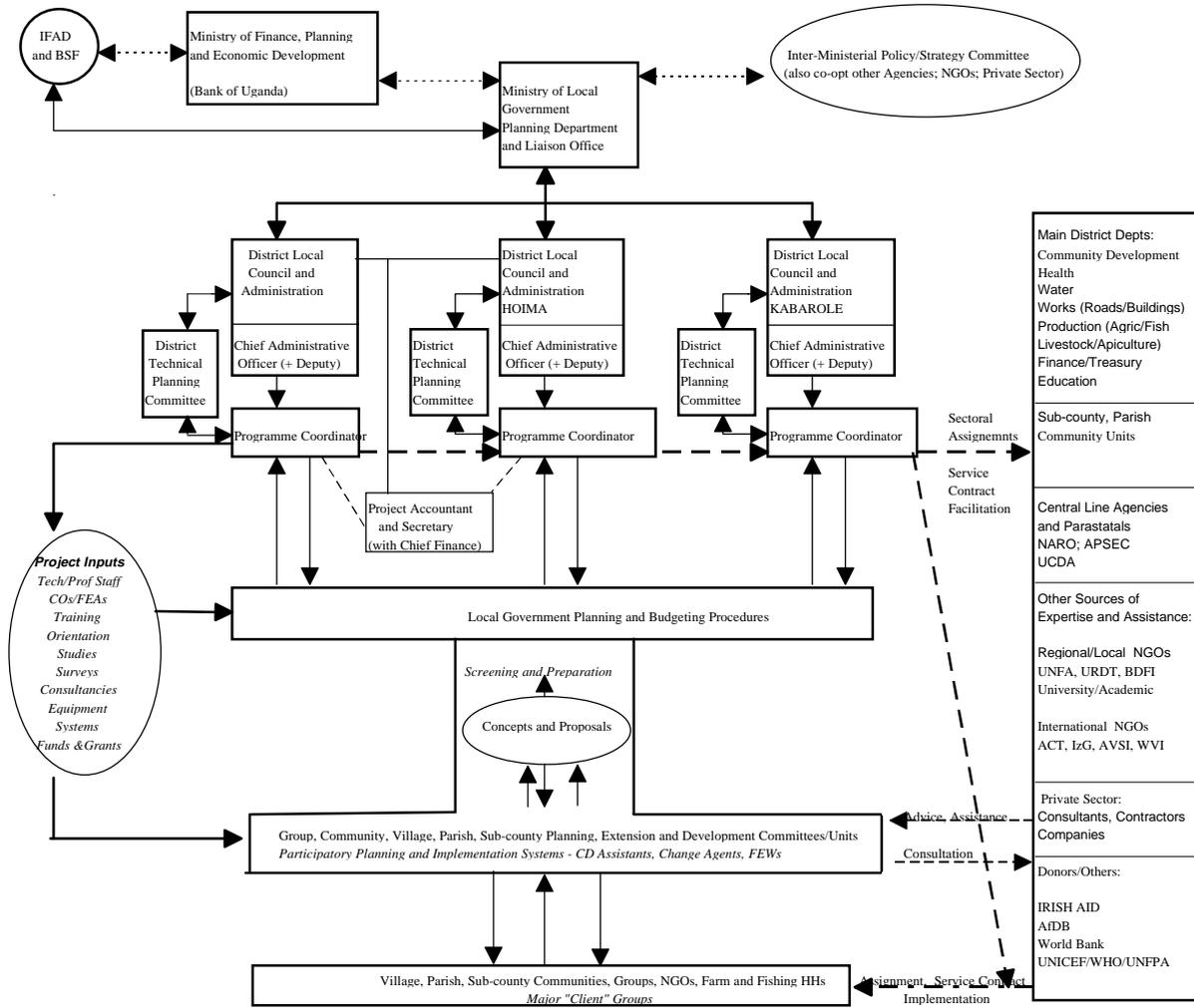
8. Other major NGOs that will be involved in programme activities include the Uganda National Farmers' Association (UNFA) (in the form of its district associations, which will take part in agricultural development initiatives); Uganda Rural Development and Training (URDT) (which will be a candidate to provide training, extension and demonstration services in specialist fields); ACT (which will also be a candidate for the supply of improved plant materials and other services); the Bulindi District Farm Institute (which, assuming its successful commercialization, will provide agricultural demonstration and training services); and the Uganda Change Agents' Association (whose members will form an integral part of the programme effort).

9. The SIDAs will continue to form the umbrella grouping for implementing community development programmes and productive activities and for providing linkage between institutions and beneficiaries. Eventually, they will be the successors to the programme in terms of carrying on and carrying forward programme aims in rural financial intermediation as independent and self-reliant institutions, in association with the existing (and new) women's and other groups which will themselves become a permanent feature of the local development scene.

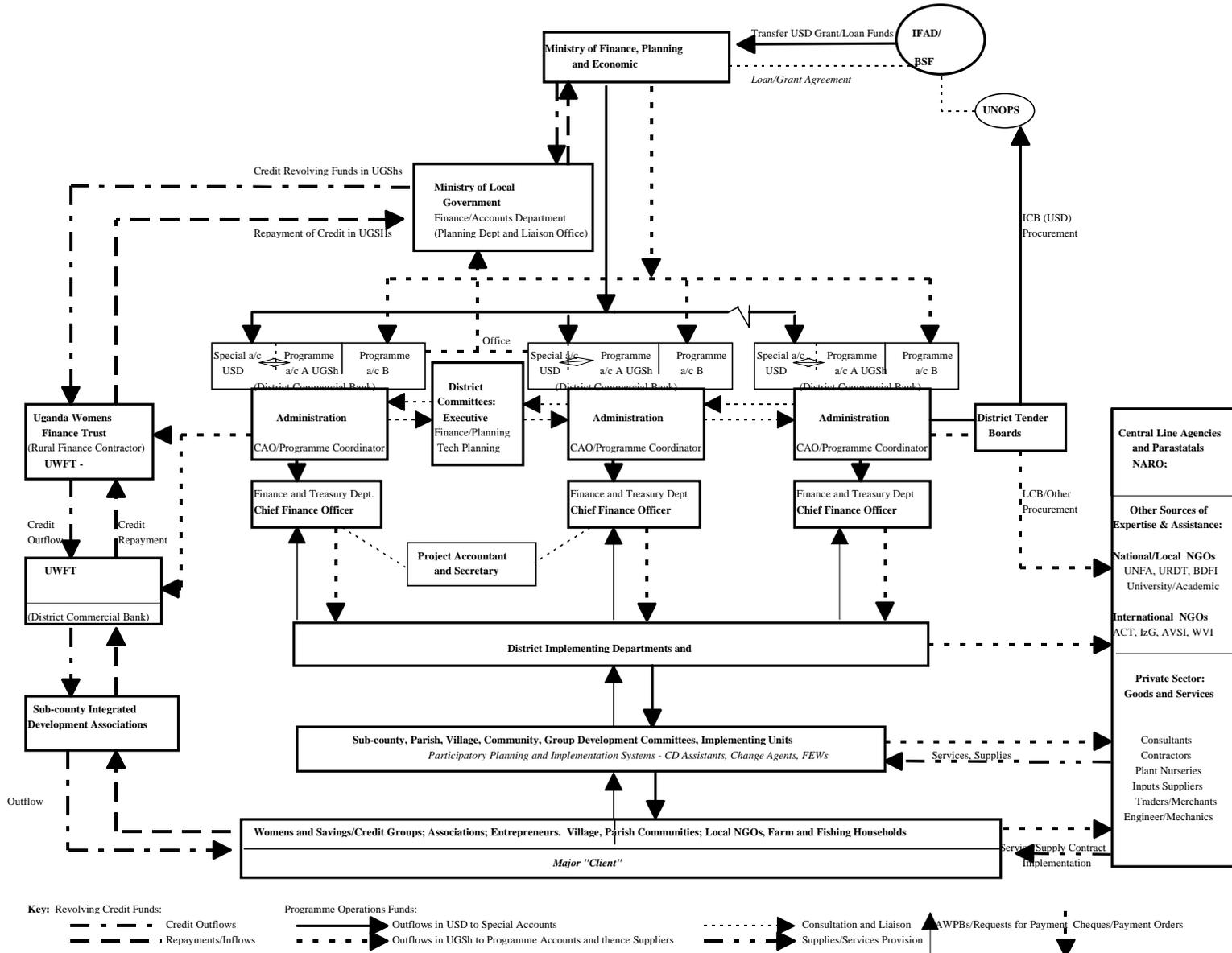
10. The organized private sector and specialized public and private institutions will be major contenders for the supply of programme inputs and services, equipment and supplies in all their aspects. These will include, in particular, the provision of spare parts and repair for equipment, notably for water supply; professional consulting services and contracting for drilling and major roads and building works; and the nurseries and multiplication farms which will be the primary source of improved planting materials. They will also be potential providers of appropriate members of their cadres for national and subsidiary advisory and liaison functions.



ORGANIZATIONAL STRUCTURE AND OPERATIONS CHARTS



PROGRAMME FUNDS FLOW CHART





ECONOMIC AND FINANCIAL ANALYSIS

ASSUMPTIONS

The underlying assumptions for the economic analysis of the programme include the following:

- (a) the effects of programme activities are estimated for 20 years;
- (b) only expenditures and benefits relating to Hoima and Kibaale Districts are included;
- (c) all base costs relating to investments and operations of the programme in the two districts have been taken into account. Since the programme will also support the revolving credit fund to be made available to SIDAs and Savings and Credit Groups, the costs have also been included;
- (d) foreign exchange is valued at the market rate of USD 1 = UGX 1 150;
- (e) recurrent costs are assumed to continue at the level of the final (sixth) year of the programme;
- (f) no standard conversion factor has been applied as no significant distortions in the prices of traded commodities, labour and currency can be observed; the opportunity cost of capital is 12%; and
- (g) production of coffee has been valued at economic export parity prices which are based on World Bank commodity price forecasts 1997-2010; all other crops and inputs have been valued at their market prices, reflecting true economic values.

CALCULATION OF ECONOMIC RATE OF RETURN

Total Programme Costs *	PY-1	PY-2	PY-3	PY-4	PY-5	PY-6	PY-7	PY-8	PY-9	PY-10	PY11	PY-12	PY -13 to 20
(UGX '000)	3 795 444	4 218 774	4 197 279	2 291 851	1 807 524	1 402 837	497 084	497 084	497 084	497 084	497 084	497 084	497 084
A. Banana farms (no)	-	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881
	-	-	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881
	-	-	-	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881
	-	-	-	-	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881
	-	-	-	-	-	1 881	1 881	1 881	1 881	1 881	1 881	1 881	1 881
Total Banana farms (no)	0	1 881	3 763	5 644	7 525	9 406	9 406	9 406	9 406	9 406	9 406	9 406	9 406
Banana farm benefits (UGX '000)	0	(292)	215 017	263 488	319 606	391 526	416 227	430 618	445 010	445 010	445 010	445 010	445 101
	-	0	(292)	215 017	263 488	319 606	391 526	416 227	430 618	445 010	445 010	445 010	445 101
	-	-	0	(292)	215 017	263 488	391 526	416 227	430 618	445 010	445 010	445 010	445 101
	-	-	-	0	(292)	215 017	263 488	319 606	391 526	416 227	430 618	445 010	445 101
	-	-	-	-	0	(292)	215 017	263 488	319 606	391 526	416 227	430 618	445 101
Total Banana farm benefits (UGX '000)	0	(292)	214 726	478 214	797 819	1 189 345	1 605 863	1 821 464	2 002 986	2 128 390	2 181 874	2 210 657	2 225 048
Banana farms ERR: 14%	(1 897 722)	(2 109 679)	(1 883 914)	(667 712)	(105 943)	487 927	1 357 321	1 572 922	1 754 444	1 879 848	1 933 332	1 962 115	1 976 506
B. Clonal Coffee farms (no)	-	874	874	874	874	874	874	874	874	874	874	874	874
	-	-	874	874	874	874	874	874	874	874	874	874	874
	-	-	-	874	874	874	874	874	874	874	874	874	874
	-	-	-	-	874	874	874	874	874	874	874	874	874
	-	-	-	-	-	874	874	874	874	874	874	874	874
Total Clonal Coffee farms (no)	0	874	1 747	2 621	3 494	4 368	4 368	4 368	4 368	4 368	4 368	4 368	4 368
Clonal Coffee farm benefits (UGX '000)	0	4 310	155 222	226 004	266 117	295 851	302 991	302 991	302 991	302 991	302 991	302 991	302 991
	-	0	4 310	155 222	226 004	266 117	295 851	302 991	302 991	302 991	302 991	302 991	302 991
	-	-	0	4 310	155 222	226 004	266 117	295 851	302 991	302 991	302 991	302 991	302 991
	-	-	-	0	4 310	155 222	226 004	266 117	295 851	302 991	302 991	302 991	302 991
	-	-	-	-	0	4 310	155 222	226 004	266 117	295 851	302 991	302 991	302 991
Total Clonal Coffee farm benefits (UGX '000)	0	4 310	159 532	385 537	651 653	947 504	1 246 185	1 393 953	1 470 939	1 507 813	1 514 953	1 514 953	1 514 953
Clonal Coffee ERR: 9%	(1 897 722)	(2 105 077)	(1 939 107)	(760 389)	(252 109)	246 086	997 643	1 145 411	1 222 397	1 259 271	1 266 411	1 266 411	1 266 411
Overall Programme ERR: 12%	(3 795 444)	(4 214 756)	(3 823 021)	(1 428 100)	(358 051)	734 013	2 354 964	2 718 333	2 976 841	3 139 119	3 199 742	3 228 525	3 242 917

Assumptions	A. Banana Farm: Successful/Progressive Farmer Uptake	B. Clonal Coffee Farm: Progressive/Successful/Farmer Uptake	
	Potential area increment by PY-6(ha)	Potential area increment by PY -6 (ha)	2 995
	Effective increment - 50% (ha)	Incremental expanded area (20% used for rehabilitation) (ha)	2 396
	Progressive banana farmers (no)	Effective increment - 50% (ha)	1 198
	assuming average of 0.32 ha improved banana/progressive farmer	Progressive clonal coffee farmers (no) assuming average of 0.16 ha coffee/progressive farmer	7 488

* Hoima and Kibaale Districts only.

