REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN

TO THE

REPUBLIC OF UGANDA

FOR THE

AREA-BASED AGRICULTURAL MODERNIZATION PROGRAMME
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CURRENCY EQUIVALENTS

Currency Unit = Ugandan Shilling(s) (UGX)
USD 1.00 = UGX 1,450 (August 1999)
UGX 100 = USD 0.069

WEIGHTS AND MEASURES

1 kilogramme (kg) = 2.204 pounds (lb)
1 000 kilogramme = 1 metric tonne (t)
1 kilometre (km) = 0.62 miles (mi)
1 metre (m) = 1.09 yards (yd)
1 square metre (m²) = 10.76 square feet (ft²)
1 acre (ac) = 0.405 hectares
1 hectare (ha) = 2.47 acres

ABBREVIATIONS AND ACRONYMS

AfDB African Development Bank
AWP/Bs Annual work programme and budgets
MFIs Microfinance intermediaries
MOLG Ministry of Local Government
NGOs Non-governmental organizations
PFT Programme facilitation team

GOVERNMENT OF THE REPUBLIC OF UGANDA

Fiscal Year

1 July – 30 June
Source: PF/IFAD, Rome
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.
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.
## Republic of Uganda

### Area-Based Agricultural Modernization Programme

#### Loan Summary

<table>
<thead>
<tr>
<th><strong>Initiating Institution:</strong></th>
<th>IFAD</th>
</tr>
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<tr>
<td><strong>Borrower:</strong></td>
<td>Republic of Uganda</td>
</tr>
<tr>
<td><strong>Executing Agency:</strong></td>
<td>Ministry of Local Government in collaboration with ten district local governments*</td>
</tr>
<tr>
<td><strong>Total Programme Cost:</strong></td>
<td>USD 16.1 million</td>
</tr>
<tr>
<td><strong>Amount of IFAD Loan:</strong></td>
<td>SDR 9.6 million (equivalent to approximately USD 13.2 million)</td>
</tr>
<tr>
<td><strong>Terms of IFAD Loan:</strong></td>
<td>40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum</td>
</tr>
<tr>
<td><strong>Cofinancier (Proposed):</strong></td>
<td>African Development Bank (AfDB) under a parallel financing arrangement</td>
</tr>
<tr>
<td><strong>Amount of Cofinancing:</strong></td>
<td>To be determined</td>
</tr>
<tr>
<td><strong>Terms of Cofinancing:</strong></td>
<td>To be determined</td>
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<tr>
<td><strong>Contribution of Borrower:</strong></td>
<td>USD 1.5 million</td>
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<td><strong>Contribution of Beneficiaries:</strong></td>
<td>USD 1.4 million</td>
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<td><strong>Appraising Institution:</strong></td>
<td>IFAD</td>
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<tr>
<td><strong>Cooperating Institution:</strong></td>
<td>United Nations Office for Project Services (UNOPS)</td>
</tr>
</tbody>
</table>

* The ten implementing districts are: Bundibugyo, Bushenyi, Kabale, Kabarole, Kasese, Kisoro, Mbarara, Ntungamo, Rukungiri and Sembabule.
PROGRAMME BRIEF

Who are the beneficiaries? The intended beneficiaries of the proposed Area-Based Agricultural Modernization Programme include rural dwellers in south-western Uganda who make up 90% of the area’s 5.3 million inhabitants. The potential beneficiaries are mostly smallholders who are mixed farmers, producing tradeable food crops, cash/industrial crops and raising small numbers of animals, chiefly indigenous cattle for milk. In effect, the beneficiaries are generally economically active smallholders who suffer less from food poverty than from cash/income poverty. Within the beneficiary group of economically active smallholders, women and youth play major roles in production, processing and small enterprise operation.

Why are they poor? In spite of the relatively high agricultural potential of the programme area, varying combinations of factors limit the involvement of smallholders in farming operations as a commercially viable business. Among the key constraints that render even the most active smallholder poor are the following: (a) the problem of the evacuation of produce and products from the farm for sale, especially in the face of the pronounced seasonality of the marketing of crop and livestock surpluses, the bulk of traditional tradeable crops and the consequent volatility of prices; (b) inaccessibility to improved production technologies and post-harvest handling; and (c) the difficulty of access to sustainable financial services for purchased inputs and expanded investments.

What will the proposed programme do for them? Taking advantage of existing policies and strategies, the programme will, through the respective district local governments, sensitize and organize communities and beneficiaries into cohesive and informed groups with socio-economic interests, well-aware of development opportunities; facilitate access to improved/new technologies and techniques, as well as to financial services for savings and credit facilities; provide linkage to the private sector and other input and service providers, and exposure to related business and commercial experiences; construct community road access to markets in order to ease the physical pain of transporting produce and assure improved prices; and offer access to water points and an animal dip facility for livestock.

How will the beneficiaries participate in the programme? Existing groups and associations and new groups with varied socio-economic interests will constitute the organizational base of the proposed programme interventions. They will be assisted by district staff. Through training, skills development and other capacity-building activities, subcounty and community leaders, working jointly with the members, will initiate and demand activities and services on a cost-sharing basis in the context of the limitations, conditions and requirements specified in the programme design. Additionally, communities will have direct responsibility for the execution of activities initiated by them. They will be involved in monitoring progress and maintaining established facilities.
REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN
TO THE
REPUBLIC OF UGANDA
FOR THE
AREA-BASED AGRICULTURAL MODERNIZATION PROGRAMME

I submit the following Report and Recommendation on a proposed loan to the Republic of Uganda for SDR 9.6 million (equivalent to approximately USD 13.2 million) on highly concessional terms to help finance the Area-Based Agricultural Modernization 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 will be administered by the United Nations Office for Project Services (UNOPS) as IFAD’s cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY ¹

A. Country Background

1. Uganda is a landlocked country with a surface area of 241,000 km², of which about 15% is water, consisting chiefly of lakes (see Map 1). Situated on the Equator, the country lies mostly at an altitude of 1,000-2,000 m above sea level and has favourable soil and climatic conditions for agriculture. Based on the 1991 census data, the mid-1999 population is estimated at 21.6 million. They live in 4.32 million households, are growing at 2.5% per annum and are overwhelmingly (85%) rural and young: 47% of the population is below the age of 15. Population density is 109 per km².

2. The enactment of the 1997 Local Government Act devolves considerable authority and responsibility for administration and development activities to elected local councils. At present there are 45 districts, although there are proposals to increase this number by dividing some of the larger districts. The Ministry of Local Government (MOLG) is the government agency with overall responsibility for the district administrations. Among the other ministries involved with rural development are the Ministry of Agriculture, Animal Industry and Fisheries, the Ministry of Works, Housing and Communications, and the Ministry of Gender, Labour and Social Development. The National Environmental Management Authority oversees, coordinates, monitors and supervises all environmental activities.

B. The Economy and Rural Development

3. Economic situation. After a prolonged period of civil war (1970-86), Uganda emerged as one of the most consistent economic performers in Africa. From 1986/87 to 1995/96, the economy grew at an average annual rate of 6.5% and at over 5% per annum in the two subsequent years. Still, Uganda is poor (the 22nd poorest country world-wide in terms of the gross domestic product (GDP), estimated at USD 240 in 1996), with 44% living in poverty in 1997. The economy remains highly dependent on foreign aid (USD 310 million), foreign direct investment (USD 230 million) and private transfers (USD 320 million) for 1998/99. In recognition of its satisfactory economic performance, Uganda is the first country to benefit from multilateral debt relief under the Heavily-Indebted Poor Countries

¹ See Appendix I for additional information.
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

(HIPC) Debt Initiative. IFAD’s contribution to the HIPC-Debt Initiative, declared effective from October 1998, will reduce the net present value of the national debt by the equivalent of SDR 4.6 million.

4. As impressive as the recent economic achievements are, GDP per capita is still only 78% of what it was in 1970. Increased private-sector investment is considered critical for future economic growth, but will depend upon private-sector confidence and the public-sector’s performance in providing improved infrastructure, utilities and essential services. The Government is focusing increasingly on planning and policy formulation, regulation and monitoring and evaluation. Other current reforms relate to trade policy, the financial sector and public utilities, although little progress has been made in linking incentives in the civil service to improved service delivery.

5. Agricultural sector. Agriculture remains the largest sector of the economy. In 1989/90 agriculture contributed 54% to GDP, but this declined to 43% in 1998/99. Nonetheless, only over the last decade has the agricultural sector accounted directly for at least a third of the economy’s growth, and indirectly for an additional quarter. Of the 1998/99 GDP, food crop production contributed 28%, cash crops 4%, livestock 7%, forestry 2% and fishing 2%. Coffee contributes 55-70% of merchandise export earnings, depending upon international prices.

6. Smallholder agriculture. Some 2.5 million smallholder families produce 94% of total agricultural production, constitute 80% of the employed population and supply virtually all the country’s food; only small amounts of sugar and tea are grown on large estates. The country is basically self-sufficient in food. The majority of smallholders are mixed farmers; they cultivate an average of 2 ha per family. Women provide the major proportion of the farm-labour force, producing the majority of the food and cash crops. In response to the Government’s market-oriented economic policies, smallholder farmers are increasingly oriented to business, especially in the southern districts as shown by: (a) the greater introduction of improved dairy cattle; (b) more intensive production systems for fruit and vegetable production, and the cultivation of traded commodities such as potatoes, maize, wheat, rice, tobacco and oilseeds; and (c) the increased attention being given to the husbandry of banana and coffee plots.

7. Development potential. Of the 17 million hectares of potentially arable land, an estimated 5 million hectares are cultivated, suggesting that scope exists for increased production through further area expansion and productivity increases, since crop and livestock yields are still low. Potential for growth exists in both traditional and non-traditional export commodities/crops in which Uganda has some comparative advantage, although levels of production for the domestic market need to be consistent with the growth in population and disposable income. The main changes anticipated under the Government’s plan for the modernization of agriculture include: (a) an increase in the responsiveness of public-sector research and advisory services to farmers’ requirements through changed operational procedures; (b) promotion of cooperation among the public and private sectors, farmer associations and non-governmental organizations (NGOs), including the introduction of contracted services; and (c) introduction of an element of cost-recovery for services provided.

8. Agricultural technology. Following the rationalization of the Ministry of Agriculture, Animal Industry and Fisheries in July 1998 the National Agricultural Research Organization is now responsible for agricultural extension nationally, in addition to its role of coordinating the national research system. Following decentralization, the district production departments presently control the delivery of technology to farmers. But staff salaries absorb most of the available resources, while staff have little regular or effective contact with farmers.

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9. **Input supply.** Prices of both agricultural inputs and outputs are market-determined. The private sector handles most of the agricultural input supply, with the exception of veterinary services. Artificial insemination, provision of fish fry and distribution of seeds of improved crop varieties are provided, at least partly, by the public sector or through NGOs and donor programmes. While there are no major seed supply or agrochemical input supply companies in the country, high-value export crops with established export systems (coffee, tea and horticultural crops) are supported by vertically integrated processors who encourage the use and supply of agrochemical inputs and rely on private-sector retailers.

10. Marketing is now virtually all done by the private sector, but there are a number of constraints. First, past political uncertainty has prevented farmers from approaching farming as a business: most have concentrated on household food security, with any *ad hoc* surpluses often sold at the farm gate. The present strong aversion to cooperatives, due to the failures of these institutions in the past and the supply-driven system in which Government proscribed any potential initiatives in agricultural commercialization, is another aspect of the problem. Second, the lack of road access to many rural communities makes it extremely difficult for farmers to market their production. This limits farmer productivity, contributes to farmer apathy with regard to technical innovations and results in the high transaction costs faced by traders when conducting business in rural areas. The prices farmers receive are thereby reduced. Third, farmers lack reliable and up-to-date information on market prices, and so are largely unaware of potentially profitable market opportunities. Finally, the absence of credit facilities for small-scale farmers has made it more difficult for them to expand their production or to invest in post-harvest storage and marketing opportunities.

11. **Rural infrastructure.** Uganda’s road transport system comprises a classified network of about 9 000 km of main roads, for which the Ministry of Works, Housing and Communications is responsible, and the 20 000 km of feeder roads (generally gravel), for which the district administrations are responsible. In addition, there are perhaps a further 60 000 km of community/access roads and tracks in the subcounties.

12. Despite requiring improvement, the trunk roads generally are not an obstacle to trade. Feeder roads are the main links from the trunk roads to towns and villages that are the key produce-marketing centres. Approximately 10 000 km of feeder roads have been rehabilitated since 1987. Although substantial funds are now flowing from the Government and donors to the districts in the form of conditional grants for feeder road maintenance, the amount is still well below the average maintenance cost. Community roads link villages and agricultural production areas to feeder roads and centres with markets. Community roads are usually passable on foot or with bicycles and, at their best, motorcycles or four-wheel drive vehicles. The communities at the subcounty, parish and village levels are responsible for both the construction and maintenance of community roads. These are critical for the evacuation of farm produce and the delivery of goods and services.

13. **Rural markets and other infrastructure.** Many rural markets operate on a weekly or bi-weekly basis, but lack facilities. These include: (a) roofed structures to guard against the weather; (b) secure storage for temporary handling of unsold produce; and (c) social facilities such as water, power and sanitation. The introduction of weighing scales and a system of price reporting will make livestock markets more efficient and transparent. Improving rural market infrastructure will encourage both sellers and buyers from distant areas to catalyse the private sector. Other forms of rural

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3 The World Bank, the African Development Bank (AfDB), the European Union, the German Agency for Development Assistance, the Nordic Development Fund, the United Kingdom Department for International Development and other bilateral agencies.

4 USD 700 per km for the periodic and routine maintenance by force account, or USD 1 200 per km on a contract basis.
infrastructure (e.g. water supplies and disease control facilities for livestock and small-scale irrigation facilities) are either non-existent or in need of rehabilitation.

14. **Rural financial services.** Uganda has some 20 commercial banks regulated by the Bank of Uganda, as well as a number of unregulated microfinance institutions. Only two banks presently have a significant nation-wide presence: the Uganda Commercial Bank with 65 branches; and the Centenary Rural Development Bank with nine. Outside the district capitals, there are generally no formal financial institutions. While providing safe-keeping services and opportunities for depositing savings, the banks provide little credit to the rural population except produce buyers. Recently, the banking sector has been beset by problems, including poor quality loan portfolios, poor management and a disregard for banking regulations. As a result, the Bank of Uganda has recently closed three banks, including the Cooperative Bank, which had 24 branches serving rural communities. Furthermore, the privatized Uganda Commercial Bank was recently repossessed by the Government following a protracted dispute over its ownership and management. Most banks are generally very liquid and the borrowing-to-lending spread quite large. Demand deposits now earn about 2% per annum, while the normal commercial lending rate is 21-24%.

15. **Microfinance intermediaries.** The lack of formal banking services is being filled, to some extent, by NGO-supported microfinance intermediaries (MFIs) who lend to members of solidarity groups without the provision of formal collateral. Loans are for three to six months, with regular repayments and interest rates of 2.5-3% per month on a flat rate basis. The system is well-suited for financing market trading and ancillary activities of agricultural households, but not for investment finance, which is necessarily medium to long-term.

**C. The Poverty Context**

16. Uganda is the 17th poorest country in the world (158th out of 174) in terms of its human development index and 22nd in terms of GDP per capita. Using a consumption-based measure of poverty, 48% of the rural population (or about 8.4 million people) were living below the poverty line in 1997, as compared with 9.1 million (59%) in 1992. While recent growth in agricultural GDP has reduced the numbers of rural poor, poverty is still a rural problem: only 17% of the urban population were living below the poverty line in 1997. Data for 1995/96 shows that households engaged in food crop production are more likely to be poor (58%) than those engaged in cash-crop production and non-crop agriculture (41%). There are no gender-disaggregated data with which to assess how women have been affected by the reduction in rural poverty. Income distribution is relatively even within the rural areas and the degree of inequality has remained unchanged during the 1990s.

17. The Government is strongly committed to eradicating poverty by enabling the poor to participate in the process of economic growth, with the private sector assigned a pivotal development role. Under its Poverty Eradication Action Plan, the Government aims to increase the incomes of the poor and improve their quality of life by providing basic services. Public expenditure is to be focused on increasing economic opportunities, particularly in agriculture, thereby targeting the poor through investment in infrastructure, agricultural research and extension, and health and education services. Public services are to become more responsive to local requirements and be provided within an increasingly decentralized administrative and decision-making framework. The top priority is, thus, to raise incomes earned from agriculture.

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D. Lessons Learned from Previous IFAD Experience

18. Activities supported by IFAD in Uganda that relate to rural development and the agricultural sector are currently among the most significant in the country. The total loan portfolio is SDR 80 million directed variously towards: (a) farm productivity and incomes through community-based approaches to integrated rural development; (b) commodity-specific programmes (in cotton and vegetable oil production, partly under cofinancing arrangements with the World Bank) aimed at increasing smallholder cash incomes in partnership with the organized private sector; and (c) a grant of BEF 700 million under the IFAD/Belgian Survival Fund Joint Programme in support of community-based development and specific funding of programmes for orphans and households caring for orphans. Among the wide range of lessons to be drawn from the experience of IFAD’s Uganda portfolio are the following: (a) efficient implementation, management (including accounting and payments) should be decentralized to the programme area; (b) there is a strong interest in the IFAD target group, including among women, in generating cash income (and savings) from agriculture; (c) input supply no longer requires support from the Government, with the exception of the provision of clean planting material, livestock breeds and fish fingerlings; (d) local infrastructure development responds to community interests and commitment, with a clear understanding on the provision of adequate resources for road maintenance reached before roads are rehabilitated. While lack of resources was a major problem for the closed South-west Region Agricultural Rehabilitation Project, the flow of funds for road maintenance has recently improved; (e) since the option of using projects as credit channels is unsustainable, support for financial services should only be provided through entities that have a long-term commitment to providing financial services and can be sustainable without continuing outside assistance; and (f) with limited positive experience gained from agricultural extension activities, there is now a need to develop extension approaches and methods suitable to the changed economic and institutional framework of the country.

E. IFAD’s Strategy for Collaboration with Uganda

19. IFAD’s short to medium-term assistance to Uganda, is directed to: (a) supporting development that is driven by the communities so that rural producers can become full participants in a market economy; (b) strengthening the links between smallholders and the organized private sector to encourage investment in agriculture and appropriate forms of agro-processing; (c) continuing support for smallholder production of cash and tradeable food crops (traditional and non-traditional), and the dissemination of associated technology, especially through group-based methods, with an increasing emphasis on the use of the private sector. IFAD support for research and extension will focus on the promotion of known technologies and their adaptation to specific locations, and improved smallholder access to disease-free planting materials and high-yielding crop and animal species; (d) supporting income-generation from smallholder livestock production with the aim of improving production parameters, principally through improved animal health and nutrition; (e) improving the access to and the availability of credit (including medium-term financing) to help improve the uptake of more productive technology and techniques, as well as broadening options for income-generation among smallholders. IFAD will aim to support the emergence of a rural financial system that links local and often informal groups to the formal financial system; and (f) providing carefully targeted support to the public sector so that it can play an appropriate role in promoting agricultural development and social services for alleviating poverty. Supporting the decentralization process will be crucial, along with promoting farmer and beneficiary participation in all activities that concern them.

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6 See Appendix II.

7 This includes the closed South-west Region Agricultural Rehabilitation Project, of which the proposed Area-Based Agricultural Modernization Programme is a follow-on intervention.
F. Rationale and Strategy for the Proposed Programme

20. **Rationale.** The rationale for the proposed programme derives from several factors: (a) growth plays the fundamental role in reducing rural poverty. However, districts lack funds for agricultural activities, despite this being one of the five priority areas for the district local governments; (b) the Government is supporting private-sector initiative and encouraging farmers to take full advantage of economic opportunities without which household production cannot advance beyond the achievement of household-food security. The scope exists for an investment programme that aims to further commercialize smallholder farming and assist rural communities in becoming full market participants and to cease being cash-poor; (c) key national sector programmes (e.g. major road infrastructure development and agricultural research extension-farmer linkage) require support from actions within districts, with funds channelled to the districts, if the former are to alleviate poverty. Provided the design of area-based interventions, such as the proposed programme, are in harmony with agreed strategies, they represent a mechanism that will provide useful experience for the eventual development of broader programmes in areas where national approaches are still being developed; and (d) because of support offered (or planned to be ) by other donors for feeder road improvement, the proposed programme will focus on community roads that link farms and communities to major towns and markets, often via feeder roads. Supporting the provision of community roads will also open up other income-generating occupations for rural communities and the provision of goods and services.

21. **Programme strategy.** Key aspects in the design of the proposed programme will be: to establish a flexible framework for public-sector investment as the start of a longer demand and opportunity-led process (rather than pre-specifying a fixed series of activities); and to ensure consistency with existing or emerging national policies and approaches regarding agricultural modernization and the role of the private sector, and the decentralization of authority to district and subcounty councils. Consequently, the strategy will be: (a) to facilitate upstream and downstream linkages between smallholder producers and those providing farming services, while minimizing the Government’s incremental recurrent costs; (b) to embed investments within the districts’ annual work programme and budgets (AWP/Bs), with the districts and subcounties deciding what investments to make on the basis of the requirements of community-level interest groups among the IFAD target group; (c) to strengthen the management, planning and technical capacity of the districts, and aim to strengthen such capacity within a transparent consultative framework of local governance; (d) to take environmental concerns into account in the design of interventions and incorporate mitigation measures where necessary; (e) to incorporate gender sensitivity in all stages of the programme and its implementation approach and procedures, and provide support for the continual monitoring of gender issues bearing upon the ability of women to contribute to and benefit from the programme; and (f) to provide for the effective monitoring/supervision of the series of district-related activities.

PART II - THE PROGRAMME

A. Programme Area and Target Group

22. The proposed programme is targeted to cover ten districts in south-west Uganda (Map 1). The districts are subdivided administratively into 196 rural subcounties and 13 urban councils. The total population, based on extrapolations from the 1991 census, is about 5.3 million, belonging to

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8 This will require the adoption of a flexible programme approach to implementation; measures to ensure a continuing complementarity between programme-financed activities and those of other donors and NGOs within the framework of district AWP/Bs; and a mechanism for the correct and timely functioning of the programme as a whole.

9 The ten implementing districts are: Bundibugyo, Bushenyi, Kabale, Kabarole, Kasese, Kisoro, Mbarara, Ntungamo, Rukungiri and Sembabule.
1.05 million households (about a quarter of the national population), of which over 4.7 million people and 947,000 households (90%) are rural. The average size of rural households is five, with agriculture the dominant occupation.

23. The programme has two major target groups: (a) economically active smallholders living in the rural areas who wish to participate in commercial agriculture; and (b) existing or potential small-scale entrepreneurs and business associations who provide services to rural households. Among the target group, women play a major role in crop and livestock production, processing and small enterprise operation. The programme will not target pre-specified activities to particular areas and/or groups of potential beneficiaries. Rather, the districts will decide, within certain guidelines, how to use the majority of resources available to them, according to the specified eligibility criteria and the demands of poor rural people themselves.

B. Objectives and Scope

24. The overall goal of the proposed programme is increased incomes and food security among poor rural households in the programme area, with the objective of modernizing agriculture in the ten districts. The expected outputs are: (a) increased involvement of the private sector in support of the further commercialization of smallholder agriculture; (b) improved capacity among economically active farmers to organize themselves to gain better access to rural services (technical, financial and marketing); (c) sustainable development and improvement of rural infrastructure; and (d) increased public-sector capacity to perform its role in responding to production needs identified by interest groups and rural communities. Appendix III contains the logical framework, while Appendix IV lists the monitoring and evaluation indicators. The districts will set targets, which will be included in their respective AWP/Bs. The programme will be implemented over a six-year period to cover 30-40% rural households in the programme area, with the poorer subcounties as the prime target.

C. Programme Components and Description

25. The proposed programme will have the following four components: (a) agricultural commercialization; (b) rural infrastructure development; (c) community mobilization; and (d) programme facilitation.

26. **Agricultural commercialization.** The agricultural commercialization component has two subcomponents: (a) agricultural commercialization, comprising an agricultural commercialization fund that the programme will establish, and from which districts can draw down funds to finance eligible activities (with capacity-building to support the use of the fund); and (b) rural financial services training. The fund will provide conditional grants to participating subcounties for activities that they will develop relating to technical support for farming enterprises and business development, and improved market linkages. The fund will enable subcounties to finance eligible field activities proposed as part of their AWP/Bs that respond appropriately to client-identified priorities. The menu of activities eligible for financing and the brokerage role of district staff, facilitated by technical advisers in the programme facilitation team (PFT), are elaborated upon in Appendix VII.

27. Local needs-assessment workshops have identified a need to provide training in rural financial services to: (a) upgrade the management and business skills of staff of MFIs, including lending groups and associations, most of whose members are women; and (b) inform community leaders and district and subcounty staff as to the role and potential of MFIs. The subcomponent involves three steps: (i) assessing microfinance training needs, the number of potential recipients of the training and what topics need to be included in the course syllabus; (ii) identifying the institutions that will provide the training, train-the-trainers and prepare the course syllabus to reflect the requirements of the different groups; and (iii) delivery of the training course(s).
28. **Rural infrastructure development.** Under this component, the programme will establish a rural infrastructure fund that districts will use to finance eligible investments, including: (a) improvement of existing community roads (including bridges and swamp crossings) linking production areas and villages with market centres and/or feeder roads so that they are passable by vehicles\(^\text{10}\); (b) livestock water supplies (e.g. valley dams and tanks); (c) small water-management schemes; (d) livestock-disease control facilities (i.e. dips and spray races); and (e) market facilities and transit storage (see Appendix VII).

29. **Community mobilization.** The programme will finance community-mobilization activities to make smallholders, interest groups and communities aware of the programme and the activities that can be financed from the two funds. Programme support for community mobilization will have three elements: (a) skills development; (b) community mobilization; and (c) institutional support as further elaborated in Appendix VII.

30. **Programme facilitation.** To assist the districts and the subcounties in their use of the agricultural commercialization and rural infrastructure funds, and generally to facilitate implementation, the programme will support a PFT (mostly assigned by respective central ministries) within MOLG’s Donor Coordination Office (see Appendix VII).

D. **Programme Costs and Financing**

31. Total programme costs over the six-year period, including price contingencies, duties and taxes, are estimated at USD 16.1 million, including 38% foreign exchange. The Summary of programme costs by component is presented in Table 1.

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<th>Components</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>% of Base Cost</th>
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<td>Agricultural commercialization</td>
<td>2 545.3</td>
<td>1 089.4</td>
<td>3 634.7</td>
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<td>Rural financial services training</td>
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<td>111.3</td>
<td>304.6</td>
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<tr>
<td>Subtotal</td>
<td>2 738.7</td>
<td>1 200.7</td>
<td>3 939.3</td>
<td>25</td>
</tr>
<tr>
<td>B. Rural infrastructure development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural infrastructure</td>
<td>5 087.8</td>
<td>3 520.2</td>
<td>8 608.0</td>
<td>41</td>
</tr>
<tr>
<td>C. Community mobilization</td>
<td>541.9</td>
<td>582.7</td>
<td>1 124.6</td>
<td>52</td>
</tr>
<tr>
<td>D. Programme facilitation</td>
<td>1 312.2</td>
<td>595.4</td>
<td>1 907.6</td>
<td>31</td>
</tr>
<tr>
<td>Total Base Costs</td>
<td>9 680.6</td>
<td>5 898.9</td>
<td>15 579.5</td>
<td>38</td>
</tr>
<tr>
<td>Price contingencies</td>
<td>304.4</td>
<td>169.0</td>
<td>473.5</td>
<td>36</td>
</tr>
<tr>
<td>Total Programme Costs</td>
<td>9 985.0</td>
<td>6 068.0</td>
<td>16 053.0</td>
<td>38</td>
</tr>
</tbody>
</table>

* Discrepancies in totals are due to rounding.

32. A proposed IFAD loan of USD 13.2 million will finance 82.3% of the total programme costs. The Government will contribute USD 1.5 million (9.0%) as counterpart funding, chiefly to finance duties and taxes, staff salaries and contributions to the activities financed under the agricultural commercialization fund. The programme beneficiaries will contribute USD 1.4 million (8.6%), \(^{10}\) The AfDB is expected to finance the rehabilitation of rural feeder roads linked to programme investments under a parallel financing arrangement.
primarily as a 15% contribution to the cost of rural infrastructure, up to 15% of the staff operating costs of specialized agricultural services, and 20% of the costs of services for business development and market linkages. Appendix V depicts a diagrammatic representation of the flow of funds. Upon the Government’s request and approval by IFAD management, an IFAD Special Operations Facility grant will finance essential programme start-up activities, including the preparation of a programme operational manual. The proposed financing plan is shown in Table 2.

### TABLE 2: FINANCING PLAN a

<table>
<thead>
<tr>
<th>Components</th>
<th>Government</th>
<th>IFAD</th>
<th>Beneficiaries</th>
<th>Total</th>
<th>For. Exch.</th>
<th>Local (Excl. Taxes)</th>
<th>Duties and Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Agricultural commercialization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural commercialization</td>
<td>379.6</td>
<td>10.2</td>
<td>3,097.6</td>
<td>82.9</td>
<td>258.5</td>
<td>6.9</td>
<td>3,735.6</td>
</tr>
<tr>
<td>Rural financial services training</td>
<td>-</td>
<td>-</td>
<td>322.0</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>322.0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>379.6</td>
<td>9.4</td>
<td>3,419.5</td>
<td>84.3</td>
<td>258.5</td>
<td>6.4</td>
<td>4,057.6</td>
</tr>
<tr>
<td><strong>B. Rural infrastructure development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural infrastructure</td>
<td>375.0</td>
<td>4.3</td>
<td>7,220.3</td>
<td>82.8</td>
<td>1,122.8</td>
<td>12.9</td>
<td>8,718.1</td>
</tr>
<tr>
<td><strong>C. Community mobilization</strong></td>
<td>131.4</td>
<td>10.8</td>
<td>1,080.3</td>
<td>89.2</td>
<td>-</td>
<td>-</td>
<td>1,211.7</td>
</tr>
<tr>
<td><strong>D. Programme facilitation</strong></td>
<td>566.2</td>
<td>27.4</td>
<td>1,499.5</td>
<td>72.6</td>
<td>2,065.7</td>
<td>12.9</td>
<td>636.8</td>
</tr>
<tr>
<td>Total disbursement</td>
<td>1,452.2</td>
<td>9.0</td>
<td>13,219.6</td>
<td>82.3</td>
<td>3,813.3</td>
<td>8.6</td>
<td>16,053.0</td>
</tr>
</tbody>
</table>

|  | (USD’000) |
| For. Exch. | 1,117.5 |
| Local (Excl. Taxes) | 2,497.1 |
| Duties and Taxes | 121.1 |

**a Discrepancies in totals are due to rounding.**

### E. Procurement, Disbursement, Accounts and Audit

33. **Procurement.** The procurement of goods and services will be undertaken in accordance with IFAD procurement guidelines. Notwithstanding the autonomy of the district local government tender boards, procurement of vehicles and equipment will, wherever possible, be bulked into sizeable bid packages to make procurement more cost-effective. Procurement of items costing in excess of USD 150,000 will follow international competitive bidding procedures; those valued between USD 20,000 and 150,000 will follow local competitive bidding procedures acceptable to IFAD. The latter procedure will also apply to contracts for civil works. Items costing USD 60,000 equivalent or more will require prior review by IFAD prior to purchase. Procurement of items costing less than USD 20,000 equivalent, and which have been included in the AWP/B, will follow local shopping procedures.

34. **Disbursement.** Disbursement for civil works, vehicles and equipment will require detailed documentation. Disbursements for contracts costing less than USD 20,000 equivalent, including expenditures for materials, training, local contracts, and incremental operating costs will be made against statements of expenditure. The programme will retain the relevant documentation and make it readily available for inspection and review by supervision missions and external auditors. A special account will be opened in a bank acceptable to IFAD with an authorized allocation of USD 1 million, equal to approximately six month's worth of eligible expenditure. No taxes and duties will be financed from the proceeds of the IFAD loan.

35. **Accounts and Audit.** Upon loan effectiveness, an internationally recruited consultant will assist in setting up the accounting, financial management, auditing and financial reporting procedures consistent with national systems. The main elements of the accounting system will include monthly expenditure returns, quarterly statements of expenditure and annual financial statements. The respective chief administrative officers will submit programme accounts as part of the district’s overall accounts to the Auditor General’s representative. The Auditor General’s office, or a private-
sector audit firm appointed by the Auditor General and acceptable to IFAD, will undertake an annual audit in accordance with generally accepted auditing standards.

F. Organization and Implementation Arrangements

36. The programme will be implemented within the framework established by the Government for decentralized administration and development. At the national level, the organizational structure will consist of the PFT based in the Donor Liaison Office and the Interministerial Policy Committee chaired by the Permanent Secretary of MOLG. In each of the ten districts, the programme structure will involve: (a) the district administration headed by the chief administrative officer, with the staff of the planning, production, works (engineering) and community development departments; and (b) the subcounty local governments headed by the subcounty chief, with extension, engineering and community development staff. At the village level, interest groups will principally use the agricultural commercialization and rural infrastructure funds (for non-road rural infrastructure), while communities will play a key role, when community roads are a high priority for the use of the rural infrastructure fund. Appendix VI provides details of the district and programme’s organizational structures, while Appendix VII elaborates on the management and coordination responsibilities for effective programme implementation.

37. Minimum conditions. The programme will function simultaneously in all ten districts. However, before a district can access programme funds it will need to demonstrate that it has the necessary capacity in three key areas: (a) development planning; (b) financial management and internal audit; and (c) engineering, production and community development services. The PFT will carry out the assessment before the start of programme activities (financed with the Special Operations Facility grant). The Interministerial Policy Committee will decide whether or not districts meet the set conditions.

38. Subcounty selection. Since the programme will target only 70-80 poorer subcounties with untapped and/or under-utilized economic potential, the following will be among criteria used for their selection: (a) poverty status based on the per capita graduated tax assessment for the previous two years, with the poorest subcounty being the one with the lowest value; (b) economic potential as assessed by opportunities for increased production of crops and/or livestock with known market potential (e.g. area of land suitable for agriculture but unused, low crop yields but suitable soil); and (c) the degree of isolation as measured by the length of community roads requiring upgrading and the density of community roads (e.g. ha per km).

39. District allocations and budget caps. The MOLG will need to establish a formula for allocating the two funds (agricultural commercialization and rural infrastructure) to each of the districts to reflect both their agricultural potential and relative poverty. Percentages based on a simple combination of population, land area and poverty, with child mortality as the poverty indicator, are proposed using the following respective weights: 40, 20 and 40%. However, these percentages will not need to remain fixed throughout the programme period.

40. Performance measures. The performance of districts and subcounties will be assessed each year, with the size of their allocation remaining the same, increasing or decreasing by 20%, depending upon their performance during the previous year. District and subcounty performance will be measured by a series of indicators relating to planning, implementation performance, accountability and cofinancing. To receive a 20% increase in their allocation, districts and subcounties must meet the target scores for all indicators. A failure to meet the score required for the allocation to remain unchanged for one indicator will result in a 20% penalty.

41. Planning of rural infrastructure investments will follow a series of participatory steps aimed at continual close consultation with the beneficiaries. Matters will include design, cost and cost-sharing,
and task responsibilities and organization during implementation and on completion, thereby maintaining “ownership” of the entire process by the benefiting community.

42. **Technical assistance and facilitation.** The PFT staff will act as the outreach of their respective central ministries, providing technical assistance to the districts and assisting them in accessing, using and accounting for programme resources, and in monitoring the progress of programme-financed activities. PFT members will adopt a supportive, problem-solving and facilitating approach when dealing with local government officials, recognizing their role as trainers, advisers and facilitators, rather than the managers of programme-financed activities.

43. **Progress monitoring.** The foundation for the overall programme monitoring (and evaluation) systems will be the logical framework (Appendix III), a series of key performance indicators (Appendix IV) and the programme operational manual. The monitoring indicators will compare programme performance each year with the targets set in the AWP/B for that year. The general principles for the participatory monitoring of programme activities will include: (a) end-user associations and interest groups will monitor their activities and investment performance, supported by service providers; (b) local councils will monitor activities, inputs and output achievements in their respective areas; (c) relevant institutions will monitor support programmes and capacity-building activities; and (d) the MOLG will monitor overall operations for planning and facilitation purposes (i.e. compliance with the minimum conditions, performance of the districts and subcounties).

44. **Evaluation.** An independent agency will carry out the evaluation and impact assessment of the programme in collaboration with all stakeholders as part of the programme’s mid-term and completion reviews. It will focus on: (a) the response of beneficiaries, districts and subcounties to programme procedures; (b) the effects of the programme on monetization of smallholder production; and (c) validity of the interventions in serving requirements for the commercialization of smallholder agriculture.

45. **Mid-term and completion reviews.** A mid-term review will be undertaken at the end of programme year three to review the programme’s achievements and constraints, looking in particular at the following: (a) the performance of the districts in using and accounting for the agricultural commercialization fund and the rural infrastructure fund; (b) the appropriateness of the community mobilization approach; (c) the performance of the PFT in supporting the districts; (d) future requirements of the districts for technical support; and (e) the need to continue the rural microfinance training courses. Prior to the visit of the mid-term review mission, the MOLG will have prepared a draft mid-term progress report, if need be, with external technical support. Similarly, upon completion of programme investments at the end of programme year six, the programme facilitator will initiate the process of programme completion review, also drawing on external technical input as necessary.

**G. Benefits and Economic Justification**

46. **Benefits.** The programme will have both direct and indirect benefits. Direct benefits will accrue from the investments in infrastructure and improved research extension-farmer linkages. Benefits from improved community roads will come from reduced transport costs and hence higher farm gate prices and increased farm incomes. Provision of market facilities and transit storage will also have similar benefits. Other infrastructure investments will increase crop and livestock production and make labour more productive (e.g. livestock watering facilities). The adoption by smallholders of other improved crop and livestock technologies will be reflected in higher farm incomes and additional employment. Indirect benefits from community road development will come from improved access to goods and services and social benefits of improved communication with urban centres. Other indirect benefits will come from the capacity-building programme, including improved access to rural financial services in the longer run, improved ability of district staff to manage rural investment programmes in a participatory way, a greater capacity in the districts to implement
development programmes, as well as a greater number of economic interest groups able to take advantage of development opportunities. Overall, an estimated 312,500 farming households (33% of the rural households), comprising about 1.6 million people in the programme area, will benefit from programme activities. The high participation of women in the production of bulky commercialized products and their high level of participation in grass-roots finance activities suggest that the programme will have a strong positive impact on women.

47. **Government budgetary implications and cost-recovery.** The programme will not have any long-term recurrent cost implications for the Government. The PFT is a temporary group comprising staff who will either be seconded from their existing positions or recruited on contract for the period of the programme. Programme activities will not increase the costs of operating the district local governments after the end of the programme. Although the programme will create a debt finance burden for the Government, the additional economic activity generated should increase tax revenues substantially, thereby offsetting the cost of repaying the loan.

48. **Economic analysis - rural infrastructure.** A community road model for a typical 2 km access road without any bridges or swamp crossings (with a “catchment area” of about 500 m either side), serving about 150 ha of agricultural land indicates that with improved access the savings in transport cost alone will generate an economic rate of return of 58% from a total investment of UGX 9.4 million (about USD 6,000). Doubling the investment cost would still give an economic rate of return higher than 15%. Analysis of the costs and benefits from road improvement in livestock infrastructure shows that groups wishing to invest in a cattle dip must be able to commit at least 400 animals for the investment to realise 15%. Because of the likely good returns from infrastructure investments and the agricultural opportunities available from improved access, adaptive research and training, the proposed programme is expected to show an economic rate of return in excess of 12%, i.e. above the opportunity cost of capital.

H. **Risks**

49. Programme implementation will be mainly a within-district function, such that most of the associated risks are institutional, revolve around the capacity of the local governments to assume their full decentralized responsibilities, as well as to adopt the principles and procedures embodied in programme design and the Government’s plan for the modernization of agriculture. Its strong commitment to policy and institutional reform is expected to spur on the processes underlying programme design and mitigate the major risks associated with programme implementation.

I. **Environmental Impact**

50. The environmental screening and scoping note classifies overall programme interventions as Category “B”, and reiterates the need to take a number of measures during programme implementation towards minimizing possible environmental impact. In the case of infrastructure developments, environmental screening of proposed community road improvements, water supplies and storage will be undertaken as part of the initial assessment to complement the technical and economic evaluation, with any mitigation measures needed included in the final design. Specific to crop production changes and adaptive research activities, no net negative effects on the environment are envisaged. Any support under the programme for the rehabilitation of livestock dip tanks to mitigate the effects of tick-borne diseases will increase the use of acaricides. However, the acaricides presently available in the country are pyrethroids and amidines which degrade rapidly after use.

J. **Innovative Features**

51. Programme design differs from those of earlier IFAD investments in Uganda in a number of key ways: (a) the programme adopts a flexible programme approach and the design introduces a series of processes and procedures so that districts can access funds for development and identify broad
categories for investment; (b) funds will flow to the districts and, eventually, to the subcounty level, as conditional grant “pools” under the control of the District Council to finance eligible programmes and activities identified by interest groups and/or communities and included in the AWP/B; and (c) the programme will promote links between smallholder farmers and their economic interest groups with the private sector for the supply of services. The programme has strong links to IFAD’s corporate thrusts and the regional lending strategy for East and Southern Africa, with its focus on linking smallholders to private-sector suppliers of goods and services, mobilizing smallholders to resolve their problems with investments that they themselves can maintain, and supporting the decentralization of Government service provision and collaboration with other donors on programme financing (i.e. AfDB).

PART III - LEGAL INSTRUMENTS AND AUTHORITY

52. 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.

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

54. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

55. 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 six hundred thousand Special Drawing Rights (SDR 9,600,000) to mature on and prior to 1 December 2039 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
1. The Ministry of Local Government (the Lead Programme Agency) will open and thereafter maintain in a commercial bank acceptable to IFAD, or another bank as agreed by the Government of the Republic of Uganda and IFAD, a programme account held in Ugandan Shillings for programme operations carried out by the PFT (the PFT Programme Account). The programme facilitator will be fully authorized to operate the PFT Programme Account.

2. Each of the district local councils (DLCs) participating in the programme will open and thereafter maintain in a commercial bank acceptable to IFAD, or another bank as agreed by the Government and IFAD, a programme account held in Ugandan Shillings for programme operations carried out by the DLC in the relevant programme district (collectively, the District Programme Accounts). The PFT will transfer from the PFT Programme Account to the District Programme Accounts such funds called for in the AWP/B to finance programme operations in the respective programme districts. The chief administration officer of each DLC will be fully authorized to operate the respective District Programme Account.

3. The Government will ensure that the PFT Programme Account and the District Programme Accounts will be opened within 90 days after the date of effectiveness of the loan agreement.

4. The Government will make available to the Lead Programme Agency counterpart funds called for in the AWP/B for each programme year. For such purpose, the Government will deposit an initial amount equivalent to USD 23,000 from its own resources into the PFT Programme Account, and will thereafter make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant programme year. It will make such allocations available to the Lead Programme Agency by depositing such amounts into the PFT Programme Account at least monthly in advance.

5. The Government will ensure that the programme districts and sub-counties will make annual budgetary provisions as contributions to the cost of activities to be financed from the Agricultural Commercialization Fund (ACF) and the Rural Infrastructure Fund (RIF).

6. Within 90 days after the date of effectiveness of the loan agreement, the Government will submit the draft programme operational manual (POM) to IFAD for its comments and approval.

7. The Government will ensure that two short-term technical assistants are recruited to the programme to assist in setting up: (a) accounting, financial management, auditing and reporting procedures consistent with national systems; and (b) appropriate monitoring and evaluation systems on terms and conditions acceptable to IFAD.

8. Within 180 days after the date of effectiveness of the loan agreement, the Government will establish, and thereafter maintain, an appropriate information management system (MIS) to enable it to continuously monitor the programme.

9. The Government will ensure that the monitoring of the programme will be structured as follows:

   (a) beneficiary end-user associations and interest groups will monitor their activities and investment performance, supported by service providers;
(b) the DLCs will monitor activities, inputs and output achievements in their respective programme districts;

(c) relevant institutions will monitor the ACF and RIF programmes and capacity-building activities; and

(d) the Lead Programme Agency will monitor overall operations for planning and facilitation purposes.

10. Within 90 days after the date of effectiveness of the loan agreement, the Government will appoint the Auditor-General of the Republic of Uganda to audit the accounts relating to the programme.

11. The Government will ensure that the audit report for the programme will be a long-form audit report, and will contain a separate management letter that will be submitted to IFAD within 60 days after receipt of the audit report. The audit report will, among other things, refer to the statements of expenditure maintained under the programme, and to the Special Account, the PFT Programme Account and District Programme Accounts.

12. The Government will ensure that each DLC maintains programme records and accounts of its operations under the programme in accordance with generally accepted accounting principles, and that these records and accounts are audited at the end of each fiscal year as part of the audit report for the programme.

13. The Government will ensure that: (a) a technology adaptation specialist is assigned to each programme district from among the existing cadre of subject-matter specialists in the district production departments; and (b) each selected sub-county has a community-development assistant.

14. The Government will ensure that women are represented in all programme activities and that they receive appropriate benefit from the programme outputs.

15. The following is specified as an additional event of suspension of disbursements from the loan account:

   the POM, or any provision thereof, has been waived, suspended terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme.

16. The following are specified as additional conditions precedent to the disbursement of funds in respect of expenditures incurred by the PFT under the programme:

   (a) the POM will have been approved by IFAD in draft, and a copy of the POM, as adopted by the Inter-Ministerial Policy Committee (IPC), substantially in the form so approved and certified as true and complete by a competent officer of the Lead Programme Agency, shall have been delivered to IFAD;

   (b) the Government will have duly opened the Special Account;

   (c) the Lead Programme Agency will have duly opened the PFT Programme Account and the Government will have deposited the initial amount of counterpart contribution required for programme year one, in accordance with the AWP/B; and
17. Without prejudice to paragraph 15 above, the following are specified as additional conditions precedent to the disbursement of funds in respect of expenditures in any individual programme district under the programme:

(a) the programme district will have demonstrated that it has the necessary capacity in:
   (i) development planning; (ii) financial management and internal audit; and
   (iii) engineering, production and community-development services; and

(b) the DLC for that programme district will have duly opened the District Programme Account.

18. The following are specified conditions precedent to the effectiveness of the loan agreement:

(a) a programme facilitator will have been duly assigned and appointed by the Lead Programme Agency, with the prior approval of IFAD;

(b) a financial controller for the PFT will have been duly assigned or recruited by the Lead Programme Agency, with the prior approval of IFAD;

(c) the PFT will have been duly established and all PFT staff will have been assigned or recruited;

(d) the IPC for the programme will have been established and become fully operational;

(e) the loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and

(f) a favourable legal opinion, issued by the Attorney General or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.
# COUNTRY DATA

## Uganda

<table>
<thead>
<tr>
<th>Land area (km² thousand) 1995 1/</th>
<th>GNP per capita (USD) 1996 2/</th>
<th>Total population (million) 1996 1/</th>
<th>Average annual rate of growth of GNP per capita, 1990-96 2/</th>
<th>Population density (people per km²) 1996 1/</th>
<th>Average annual rate of inflation, 1990-96 2/</th>
<th>Local currency</th>
<th>Exchange rate: USD 1. 00 = UGX 1 450</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>300</td>
<td>20</td>
<td>4. 0</td>
<td>100</td>
<td>20. 4</td>
<td>Uganda Shilling</td>
<td>6 115</td>
</tr>
</tbody>
</table>

**Social Indicators**

- **Population (average annual population growth rate)** 1980-96 1/  
  - 2. 7

- **Crude birth rate (per thousand people) 1996 1/  
  - 49

- **Crude death rate (per thousand people) 1996 1/  
  - 19

- **Infant mortality rate (per thousand live births) 1996 1/  
  - 99

- **Life expectancy at birth (years) 1996 1/  
  - 43

- **Number of rural poor (million) 1/  
  - n.a.

- **Poor as % of total rural population 1/  
  - n.a.

- **Total labour force (million) 1996 1/  
  - 10

- **Female labour force as % of total, 1996 1/  
  - 47. 7

**Economic Indicators**

- **GDP (USD million) 1996 1/  
  - 6 115

- **Average annual rate of growth of GDP 1/  
  - 3. 1

- **Sectoral distribution of GDP, 1996 1/  
  - % agriculture: 45. 5

- **% industry: 15. 9

- **% manufacturing: 7. 8

- **% services: 38. 6

**Education**

- **Primary school gross enrolment (% of relevant age group) 1995 1/  
  - 73. 0

- **Adult literacy rate (% of total population) 1994 3/  
  - 98. 0

**Nutrition**

- **Daily calorie supply per capita, 1992 3/  
  - 2 407

- **Index of daily calorie supply per capita (industrial countries=100) 1992 3/  
  - n.a.

- **Prevalence of child malnutrition (% of children under 5) 1990-96 1/  
  - 26. 0

**Health**

- **Health expenditure, total (as % of GDP) 1990-95 1/  
  - 3. 9

- **Physicians (per thousand people) 1994 1/  
  - n.a.

- **Access to safe water (% of population) 1990-96 3/  
  - n.a.

- **Access to health service (% of population) 1990-95 3/  
  - n.a.

- **Access to sanitation (% of population) 1990-96 3/  
  - n.a.

**Agriculture and Food**

- **Food imports as percentage of total merchandise imports 1996 1/  
  - n.a.

- **Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/  
  - 5

- **Food production index (1989-91=100) 1994-96 1/  
  - 107

**Land Use**

- **Agricultural land as % of total land area, 1994 4/  
  - 43. 1

- **Forest area (km² thousand) 1995 1/  
  - 61

- **Forest area as % of total land area, 1995 1/  
  - 30. 6

- **Irrigated land as % of cropland, 1994-96 1/  
  - 0. 1

n.a. not available.

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

## IFAD/BSF COUNTRY PORTFOLIO OF LOANS AND GRANTS

<table>
<thead>
<tr>
<th>Loan/Grant No.</th>
<th>Project/Programme Title</th>
<th>Financing Source</th>
<th>Terms of Loan</th>
<th>Board Approval Date (1)</th>
<th>Effectiveness Date</th>
<th>Actual Extended Closing Date</th>
<th>Coop. Inst.</th>
<th>BEF million</th>
<th>SDR million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total BSF Grant Amount</td>
<td>Total BSF/JP-IFAD Grant Disbursement as at 19 August 1999</td>
</tr>
</tbody>
</table>

### A. Ongoing Projects

- **482-UG** District Development Support Programme
  - Regular/BSF
  - h.c./Grant
  - 10 Sept. 98 awaiting effectiveness
  - IFAD
  - 164.0
  - 0
  - 0%
  - 9.50
  - 0
  - 0%

- **442-UG** Vegetable Oil Development Project
  - Regular
  - h.c.
  - 29 Apr. 97
  - 10 Jul. 98
  - 30 Jun. 06
  - IDA
  - --
  - --
  - --
  - 14.35 (7)
  - 0.38
  - 3%

- **360-UG** Cotton Sub-Sector Development Project
  - Regular
  - h.c.
  - 20 Apr. 94
  - 18 Nov. 94
  - 31 Dec. 00
  - IDA
  - --
  - --
  - --
  - 8.95
  - 6.00
  - 67%

- **BG 15-UG** Masindi District Integrated Community Development Project
  - BSF
  - Grant
  - 19 Oct. 95
  - 28 Mar. 96
  - 30 Jun. 00
  - UNOPS
  - 150.0 (3)
  - 149.1
  - 99%
  - --
  - --
  - --

  **Sub-total**
  - 314.0
  - 149.1
  - 47%
  - 32.80
  - 6.38
  - 20%

### B. Closed Loans

- **316-UG** Smallholder Cotton Rehabilitation
  - Regular
  - h.c.
  - 2 Dce. 92
  - 28 Apr. 93
  - 31 Jan. 98
  - IDA
  - --
  - --
  - --
  - 6.62
  - 6.62
  - 100%

- **S10-UG** Southwest Region Agricultural Rehabilitation
  - SPA
  - h.c.
  - 4 Dec. 87
  - 17 Aug. 88
  - 28 Feb. 96
  - IDA
  - --
  - --
  - --
  - 9.10 (5)
  - 8.12
  - 89%

- **159-UG** Agricultural Development
  - Regular
  - h.c.
  - 12 Dec. 84
  - 14 May 86
  - 30 Sept. 93
  - IDA
  - --
  - --
  - --
  - 14.60
  - 12.83
  - 88%

- **080-UG** Agricultural Reconstruction
  - Regular
  - h.c.
  - 17 Dec. 81
  - 18 Apr. 82
  - 30 Jun. 86
  - IDA
  - --
  - --
  - --
  - 16.55 (6)
  - 15.81
  - 96%

- **BG 05-UG** Hoima District Integrated Community Development Project
  - BSF
  - Grant
  - 20 Sept. 90
  - 11 Oct. 91
  - 31 Dec. 98
  - UNOPS
  - 330.0
  - 330.0
  - 100%
  - --
  - --
  - --

- **BG 09-UG** UWESO Development Project
  - BSF
  - Grant
  - 17 Jun. 94
  - 6 Feb. 95
  - 30 Jun 99
  - UNOPS
  - 50.0 (4)
  - 50.0
  - 100%
  - --
  - --
  - --

  **Sub-total**
  - 380.0
  - 38.0
  - 100%
  - 46.87
  - 43.38
  - 93%

### C. In Preparation

- **UWESO Development Programme (8)**
  - BSF
  - Grant
  - UNOPS
  - USD2.976 million
  - --
  - --
  - --
  - --
  - --
  - --

**Total**
- 694.0
- 529.1
- 76%
- 79.67
- 49.76
- 62%

### Notes:

1. Date of loan signing in case of BSF-assisted projects.
2. Equals loan amount net of cancellations for closed projects.
3. Does not include a fully disbursed 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 (about USD m 1.00).
7. Does not include fully disbursed SOF grants of USD 100,000 by IFAD and USD 150,000 Danish Trust Funds.
8. Negotiated awaiting formal fund approval.
9. Estimated cost of UDP is USD2.976 million equivalent (awaiting BSF approval).
10. Excluding UWESCO Development Programme.

n.a. not applicable

h.c. highly concessional
<table>
<thead>
<tr>
<th>LOGICAL FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Programme Description</strong></td>
</tr>
<tr>
<td><strong>Strategic Goal</strong></td>
</tr>
<tr>
<td><strong>Programme Objective</strong></td>
</tr>
<tr>
<td><strong>Programme Outputs</strong></td>
</tr>
<tr>
<td>2. Improved capacity among economically active farmers to organize themselves to gain better access to rural services (technical, financial and marketing).</td>
</tr>
<tr>
<td>3. Sustainable development and improvement of rural infrastructure.</td>
</tr>
<tr>
<td>4. Increased public-sector capacity to respond to production needs identified by interest groups/rural communities.</td>
</tr>
<tr>
<td><strong>Programme Activities</strong></td>
</tr>
</tbody>
</table>
| - Technical Support to Farming Enterprises | • Assist the operations of the field extension workers to support farmer’s economic interest groups. • Strengthen farmers’ access to up-to-date technical information and advice. | • No. of economic interest groups and number of members assisted. • No. of private-sector agencies/NGOs contracted to provide technical information and advice. • No. of farmers trained. | • MAAIF* Ministry of Agriculture, Animal Industry and Fisheries.
<table>
<thead>
<tr>
<th>Programme Description</th>
<th>Performance Indicators</th>
<th>Means of Verification</th>
<th>Assumptions/Risks</th>
</tr>
</thead>
</table>
| • Support farm-based testing of technology, priority on-station investigations under contract to the National Agriculture Research Organization (NARO).<br>• Undertake studies/surveys related to farming systems in AAMP districts. | • Technologies tested on-farm.  
• Priority on-station investigations undertaken.  
• Details of farming systems. | • AAMP progress reports and annual review.  
• Participatory monitoring.  
• Mid-term Review Report.  
• Programme Completion Report. | • Groups willing to provide matching funds.  
• Districts and subcounties meet minimum conditions and so able to access the Agricultural Commercialization Fund. |
| **- Business Development and Improved Market Linkages**<br>• Provide agribusiness training to interest groups.  
• Make matching grants to interest groups for accessing support from private sector and NGOs to make market linkages.  
• Purchase air time on local radio to disseminate technical, price and market information. | • No. and types of training provided.  
• Number, amount and purpose of grants.  
• Details of the linkages formed.  
• Proportion of the population involved.  
• Number, duration and content of the radio programmes. | • Consultant’s reports. | • Demand for microfinance training exists. |
| **- Microfinance Training**<br>• Assess demand for training.  
• Select an organization to undertake the training and one to train the trainers.  
• Carryout the training.  
• Evaluate the training. | • Numbers and types of training required.  
• Names of the organizations.  
• Types of training provided and numbers trained.  
• Conclusions of the evaluation. | • AMMP progress reports and annual review.  
• Mid-term Review Report.  
• Programme Completion Report. | • Staff are trainable. |
| **- Capacity-building**<br>• Provide technical and agribusiness in-service training.  
• Facilitate the operation of the district based Technology Adaptation Specialists. | • Types of training provided and numbers trained.  
• No. of Technology Adaptation Specialists supported and costs. | • AMMP progress reports and annual review.  
• Mid-term Review Report.  
• Programme Completion Report. | • Staff are trainable. |
| **2. Rural Infrastructure Development**<br>• Identification and planning of rural infrastructure investments.  
• Construction and/or rehabilitation of rural infrastructure.  
• Operation and maintenance of the infrastructure developed. | Total cost estimate USD… million  
• Numbers and types of investment included in the AWP/B.  
• Volume of counterpart funds mobilised.  
• Km of community roads constructed.  
• No. of water points, dip tanks, markets, transit sheds constructed etc.  
• ha of irrigation developed/rehabilitated.  
• Operational status of the facilities constructed and/or rehabilitated. | • AWP/Bs, Group, district, NGO and AAMP progress reports and annual review.  
• Participatory monitoring.  
• Mid-term Review Report.  
• Programme Completion Report. | • Districts and subcounties meet minimum conditions and so able to access the rural infrastructure fund.  
• Proposed investments meet the eligibility criteria.  
• Interest groups/communities provide their financial contribution and operate and maintain the facilities. |
| **- Capacity-building**<br>• Provide training for district and county Works Section Staff.  
• Facilitate the operation of the district technical staff and Roads Inspectors. | • Types of training provided and numbers of staff trained.  
• No. of district technical staff and Roads Inspectors supported and costs. | • AMMP progress reports and annual review.  
• Mid-term Review Report.  
• Programme Completion Report. | • Staff are trainable. |
<table>
<thead>
<tr>
<th>Programme Description</th>
<th>Performance Indicators</th>
<th>Means of Verification</th>
<th>Assumptions/Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Community Mobilization</td>
<td>Total cost estimate USD… million</td>
<td>• AMMP progress reports.</td>
<td>• Smallholder households interested in forming economic interest groups as a way of engaging in the market economy.</td>
</tr>
<tr>
<td>• Hold district and sub-county start-up workshops.</td>
<td>• No. of workshops held.</td>
<td>• Mid-term Review Report.</td>
<td></td>
</tr>
<tr>
<td>• Train the Community Development Officers and Community Development Assistants.</td>
<td>• No. of Community Development Officers and Community Development Assistants trained and training provided.</td>
<td>• Programme Completion Report.</td>
<td></td>
</tr>
<tr>
<td>• Awareness creation and community mobilization.</td>
<td>• No. of PRAs carried out.</td>
<td></td>
<td></td>
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<tr>
<td>• Form new interest groups and assist new and existing interest groups via brokerage role.</td>
<td>• No. of exchange visits.</td>
<td></td>
<td></td>
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<td></td>
<td>• No. of drama performances.</td>
<td></td>
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<td></td>
<td>• No. of newsletters published.</td>
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<tr>
<td></td>
<td>• No. of new interest groups formed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No. of new and existing interest groups assisted and types of assistance provided.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Programme Facilitation</td>
<td>Total cost estimate USD… million</td>
<td>• AWPBs</td>
<td>• Districts and subcounties meet minimum conditions and so able to access the agricultural commercialization fund and the rural infrastructure fund.</td>
</tr>
<tr>
<td>• Set up and operate appropriate financial management, accounting, monitoring, reporting and audit system.</td>
<td>• Financial systems in place.</td>
<td>• AMMP progress reports and annual review.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• M&amp;E system in place.</td>
<td>• Minutes of the Inter-ministerial Policy Committee.</td>
<td></td>
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<tr>
<td></td>
<td>• Amount and rate of draw down of the two Funds.</td>
<td>• Financial statements and audit reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Accounts, reports, withdrawal applications and audits available on time.</td>
<td>• Participatory monitoring.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mid-term Review Report.</td>
<td></td>
</tr>
<tr>
<td>• Provide technical support to the districts.</td>
<td></td>
<td>• Programme Completion Report.</td>
<td></td>
</tr>
<tr>
<td>• Organize beneficiary monitoring of the programme.</td>
<td></td>
<td>• External evaluation reports.</td>
<td></td>
</tr>
<tr>
<td>• Arrange for external evaluations and for the Mid-term Review and Programme Completion Reviews.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The following advisers in place: Programme Facilitator, Agricultural Business Development, Agriculture, Engineering, Community Development, M&amp;E and Financial Management and Accounting.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• No. of participatory monitoring assessments and their findings.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• No. of other studies carried out and their findings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No. of external evaluations undertaken and their findings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mid-term Review under taken by the end of PY-3.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Programme Completion Review undertaken before the Loan Closing date.</td>
<td></td>
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</tbody>
</table>
1. **Introduction.** Since the districts will plan the activities that both the agricultural commercialization and rural infrastructure funds will finance, targets are not specified. The monitoring indicators will compare programme performance each year with the targets set in the AWP/Bs prepared by the districts and consolidated by the PFT. The indicators are derived from the Logical Framework found in Appendix II. A number of monitoring formats have been developed by the district development project which would be appropriate for use by the area-based agricultural modernization programme (AAMP).

2. **Agricultural commercialization.** Suggested indicators will include: (a) number of economic interest groups assisted and their membership, disaggregated by gender; (b) number of private-sector agencies and NGOs contracted to provide technical services and advice; (c) number of farmers trained in technical and agribusiness subjects, disaggregated by gender; (d) number of technologies tested on-farm; (e) number of priority on-station investigations undertaken; (f) number and value of matching grants made to improve market linkages; (g) number, duration and content of AMMP-sponsored radio programmes; (h) types of microfinance training provided and numbers trained, disaggregated by gender; (i) numbers of district and subcounty extension staff trained, disaggregated by gender and the subject matter; and (j) number of technology adaptation specialists supported, disaggregated by gender.

3. **Rural infrastructure development.** Indicators will include: (a) numbers and types of investments included in the AWP/B; (b) volume of counterpart funds mobilized; (c) km of community roads constructed; (d) numbers of water points, dip tanks, markets, transit sheds, etc. constructed or rehabilitated; (e) ha of irrigation developed/rehabilitated; (f) operational status of the facilities constructed and/or rehabilitated; (g) types of training provided and numbers of staff trained disaggregated by gender; and (h) number of district technical staff and roads inspectors supported, disaggregated by gender and costs.

4. **Community mobilization.** The main indicators will include the number of: (a) workshops held; (b) community development officers and community development assistants trained, disaggregated by gender and training provided; (c) participatory rapid appraisals carried out; (d) exchange visits; (e) drama performance; (f) newsletters published; (g) new interest groups formed and the number of members disaggregated by gender; and (h) new and existing interest groups assisted and types of assistance provided.

5. **Programme facilitation.** Indicators will include: (a) amount of drawdown of the agricultural commercialization and the rural infrastructure funds; and (b) disbursement of funds for capacity-building, community mobilization and programme facilitation. There will be an annual review of the programme as part of the preparation of the AWP & B for the forthcoming year.

6. **Participatory programme monitoring.** Programme support officers, together with service providers, will develop simple procedures for beneficiaries to monitor the operation, maintenance and performance of investments. Beneficiary assessments of the programme’s overall performance will be carried out on completion of specific scheme development.

7. **External evaluations.** Evaluation and impact assessment will be carried out by an independent agency in collaboration with all stakeholders as part of the mid-term and completion reviews. Evaluation and impact assessment will focus on: (a) response of beneficiaries, institutions and other stakeholders to AAMP procedures; (b) effects of the programme on monetization of smallholder production; and (c) validity of the interventions in serving requirements for the commercialization of smallholder agriculture.
APPENDIX V
FLOW OF FUNDS

IFAD (SDR) Loan Account

Ministry of Local Government
Special Account
USD Commercial Bank

Loan 40 years
10 years grace period
0.75% p.a. service charge

Ministry/Local Government
Programme Account
UGSh

Payments to Contractors and Suppliers for Major Procurement

Payments for PFT Operating Costs & Rural Micro-finance Training UGSh

District Collection Accounts
UGSh x 10

Programme Accounts
UGSh District and Sub-county level

Government of Uganda UGSh
Counterpart Contributions

Beneficiary Contributions UGSh

1. Funds-Agricultural Commercialisation Fund and Rural Infrastructure Fund
2. Institutional Support
   - Capacity Building
   - Community Mobilisation

Note: Payments maybe made direct from the Special Account and from the Loan Account

Agricultural Commercial and Rural Infrastructure Investments
PROGRAMME ORGANIZATION STRUCTURE

Chairman PS MOLG
PS MLWEP
PS MAAIF
PS MGLSD
PS MTTI
PS MFPED
Chief Administrative Officers x10
Secretary Programme Facilitator
PFT Team Members
Representatives
NARO and UNFA
Director APSEC

Inter-Ministerial Policy Committee

Ministry of Local Government

Inter-Ministerial Policy Committee

Programme Facilitation Team

Districts x10 Local Governments

District Councils

Sub-County Councils

Sub-Counties Local Government

Sub-Counties Local Government

Interest Groups and Communities

Programme Facilitator
Financial Controller
Roads/Infrastructure Engineer
Agricultural Adviser
M&E Adviser
Agricultural Business Development Adviser
Accountants (2)
Community Development Officer
Programme Support Officers (3)
Consultants
Support Staff

Service Provides Private Sector NGOs

Information/coordination

Advice and technical assistance

APSEC = Agricultural Policy Secretariat
MGLSD = Ministry of Gender, Labour and Social Development
MAAIF = Ministry of Agriculture, Animal Industry and Fisheries
MFPED = Ministry of Finance, Planning and Economic Development
MTTI = Ministry of Tourism, Trade and Industry
MLWEP = Ministry of Lands, Water and Environment Protection
MWHC Ministry of Works, Housing and Communication
PS = Permanent Secretary
UNFA = Uganda National Farmers Association
PROGRAMME DESCRIPTION OF IMPLEMENTATION ARRANGEMENTS

A. Programme Components

1. The proposed AAMP will have four components: agricultural commercialization, rural infrastructure development, community mobilization and programme facilitation. The programme will be implemented within the Government’s decentralized framework for development. Implementation of programme investment activities will take six years.

Agricultural Commercialization

2. There are two sub-components: (a) agricultural commercialization, comprising an agricultural commercialization fund, which the programme will establish and from which districts can draw down funds to finance eligible activities (with capacity-building to support the use of the fund); and (b) rural financial services training.

3. **Agricultural commercialization.** The agricultural commercialization fund established under the agricultural commercialization sub-component will provide conditional grants to participating subcounties for programmes that they will develop. These relate to: (a) technical support for farming enterprises; and (b) business development and improved market linkages. The fund will enable subcounties to finance eligible field activities proposed as part of their AWP/Bs that respond appropriately to client-identified priorities. A portion of the fund will be drawn upon at district level for investments designed to serve multiple subcounties, including, for example, contracting specialist service providers and/or commissioning relevant studies and surveys.

4. **Technical support for farming enterprises.** The agricultural commercialization fund will be used to make district and participating subcounty staff more responsive to the interests and needs of smallholders, and promote a more commercial approach to the provision of smallholder advisory services. Districts and subcounties will finance 20% of the costs of activities being supported by the agricultural commercialization fund, while the interest groups will finance 15% of the staff operating costs of the technical service suppliers. The programme will:

   - assist field extension workers at the subcounty level to support client farmers and economic interest groups to access relevant private-sector operators involved in upstream and downstream agriculture-related service provision;
   - contract a suitable individual or organization to carry out priority field programmes with client interest groups or to supplement public-sector sources of technical information, provide training to client farmers and increase their exposure to alternative farming methodologies;
   - support on-farm testing of improved available and new technologies, priority on-station investigations under contract arrangements with NARO, as well as collaborative approach to planning technology adaptation and transfer programmes between the districts and NARO; and
   - finance studies and surveys related to farming systems in the AAMP area aimed at improving the technical basis for district planning and the provision of advisory services.

5. District and subcounty staff will use problem-solving approaches and adopt a mode of operation that emphasizes facilitation rather than control. Guidance and technical back-up will be provided by the district production staff, including the district technology adaptation specialists and the agriculturalist assigned to the PFT as described in paragraph 105. Planning departments and
6. Each district will have a technology adaptation specialist who will be assigned from among the existing cadre of subject matter specialists in the district production departments. District technology adaptation specialists will play a key role, including planning and implementing programmes to test and adapt technologies that relate directly to client farmers’ expressed concerns. Contracts will be drawn up between NARO and the subcounty council or the district council as appropriate. In addition, these specialists will represent their respective districts in annual research and extension programme reviews to: (a) ensure that client influence is exerted on the content of NARO research and technology-transfer activities relevant to the programme area; and (b) remain abreast of developments in research-technology dissemination and issues that may influence their interactions with client farmers.

7. **Business development and improved market linkages.** District and/or subcounty agricultural and community development staff may also use the agricultural commercialization fund to enable them to advise effectively their client groups about available opportunities, the development of investment proposals, as well as improving the links between farmers and appropriate commercial banks and MFIs. Activities eligible for financing will include:

- agribusiness training for interest groups to improve the profitability of their farm enterprises, increase their awareness of investment opportunities, and (in collaborative programmes with community-based services staff) to enable farmers to organize themselves better to access the available opportunities;
- matching grants to interest groups requesting specialised assistance to access support from private-sector/NGO/donor-supported initiatives (e.g. stockist support programmes, Investing in Developing Export Agriculture Project, district business promotion centres, and the activities of Uganda National Farmers Association); and
- funds to buy radio air time to provide a regular flow of technical, marketing and daily price information to rural areas.

8. Allocations from the agricultural commercialization fund will be on a cost-sharing basis with the interest group(s) concerned financing 20% of the costs. Within-district programmes may involve varying combinations of specialized training in an aspect of business and financial management, the contracting of specialized technical assistance, farm/institution tours and exchange visits with other similar groups. Proposals may be received directly by the district production department, or via subcounty based staff.

9. Training courses and programmes will be prepared by the production department in close collaboration with the planning and community development departments. The district’s programme support officer and the agricultural business development adviser in the PFT will assist in identifying suitable organizations and resource persons to conduct training or provide specialist services. Districts will be encouraged to establish close working relationships with organizations able to provide agribusiness training, including notably the Uganda National Farmers Association, Investing in Developing Export Agriculture Project, the staff of the UNDP-assisted District Promotion Centres and other NGOs.

10. **Capacity-building.** Other programme resources will be allocated for capacity-building to develop the abilities and skills of the district staff to work with and facilitate the beneficiaries using analytical and problem-solving approaches and acting in a brokerage role with the private sector. This allocation will be directed to strengthening the operations of district technical staff in support of the eligible agricultural activities outlined above. Provisions will cover:
• technical in-service training for district production department staff and field extension workers from participating subcounties;
• agribusiness training for production and community development departments’ staff from participating subcounties to develop skills, particularly those related to accessing financial services, and improving farm enterprise planning and management aspects of market-oriented farming; and
• facilitation of the operations of the district-based technology adaptation specialists.

11. Staff training in technical subject areas will be organized by the district production departments with the assistance of the PFT agriculturalist and for financial, business planning and management topics by the agricultural business development adviser in collaboration with relevant commercial banks, suitable MFIs and the NGOs as appropriate.

12. **Rural financial services training.** Programme design has identified a likely need to provide training in rural financial services to:

- upgrade the management and business skills of staff of MFIs, including lending groups and associations, most of whose members are women; and
- inform community leaders and district and subcounty staff as to the role and potential of MFIs.

13. This rural financial services training sub-component involves three steps. First, a local consultant will assess what the microfinance training needs are, the number of potential recipients of microfinance training and what topics should be included in the proposed syllabus. If the training need is confirmed, the second step will involve identifying the institutions that will: (a) provide the training; (b) train the trainers; and (c) prepare a syllabus that reflects the requirements of the different groups, including the trainers. Since the training will need to be coordinated across districts, the agricultural business development adviser in the PFT will facilitate the implementation of this sub-component which will be financed through sub-contracts administered by the PFT.

14. Among agencies identified at appraisal that could train the trainers and prepare the syllabus are the Uganda Bankers Institute and PRESTO. The selection of an appropriate agency to offer these services will be based on proposals submitted to the PFT. As well as these two organizations, other institutions that could provide microfinance training to the clients include the Uganda Cooperative Alliance and the Poverty Alleviation Programme. Again, the selection of microfinance training institution will also be based on the submission of proposals. During the third stage and following selection, the institute that will provide the training will prepare an annual training programme and, following its approval, provide the training courses. Before the end of the year, a M&E consultant will evaluate the performances of the training programme and the institution providing the training. This evaluation will recommend whether the training contract should be renewed for another year or another organization(s) retained. It is envisaged that the programme will run for three years, although continuation could be considered by the mid-term review if there were still an unsatisfied need for training.
Rural Infrastructure Development

15. The programme will establish a rural infrastructure fund that districts will use to finance eligible investments. Districts and participating subcounties will decide how the funds are invested in response to the requirements of the communities and interest groups. The following types of infrastructure can be financed:

- improvement of existing community roads (including bridges and swamp crossings) linking production areas and villages with market centres and/or feeder roads so that they are passable by vehicles;
- livestock water supplies (e.g. valley dams and tanks);
- appropriate irrigation schemes;
- livestock disease control facilities (i.e. dips and spray races); and
- market facilities and transit storage.

16. The rural infrastructure development fund will also finance the costs of planning, detailed designs, supervision of construction and environmental studies. Proposed investments will have to satisfy pre-specified eligibility criteria, which will include:

- technical feasibility and an economic rate of return (ERR) of at least 15%;
- a completed environmental impact assessment and inclusion of adequate mitigation measures where necessary;
- full beneficiary involvement starting with project identification, in accordance with the participatory process of the AAMP, and a prior commitment to contribute 15% of the costs, including a minimum of 3% in cash; and
- demonstrated ability to operate and maintain the investment.

17. Having identified investments eligible for funding from the district allocation from the rural infrastructure fund, the district local government will:

- include the costs of infrastructure investments in the AWP/B;
- make adequate arrangements to ensure that the infrastructure can be operated and maintained over the long-term;
- draw up tender documents for work to be contracted out to the private sector; and
- supervise all ongoing infrastructure-related contracts financed under the programme.

18. **Community roads.** Requests for support to improve community roads will arise from the initial mobilization and sensitization of the public in the priority subcounties regarding the availability of AAMP assistance. To ensure sustainability of the road improvements, communities will be involved throughout the planning process. To be considered for financing, community roads will need to satisfy the following additional criteria:

- be technically feasible within a cost ceiling of UGX 4.3 million per km (USD 3 000 per km) in 1999 prices;
- not be already earmarked for improvement from other funding sources;
be requested by a community within subcounties selected for priority development under AAMP;

• pass through productive areas and/or allow expanded use of under-utilised agricultural land; and

• be linked to a feeder road that is passable by motor vehicles or one that is under improvement.

19. To promote further complementarity between community and rural feeder road programmes \(^1\), district authorities will be encouraged to give priority to feeder roads serving agricultural areas in priority subcounties in which communities have expressed interest in community road improvements. The local councils will approve the plans for community roads, thus precluding the possibility of community roads being considered without reference to the status of feeder roads.

20. The district engineering departments will have overall responsibility for the community roads and will prepare the designs and also supervise construction. When a particular district has no capacity for design work, the job will be contracted out. Guidance and on-the-job training will be provided by the infrastructure engineer in the PFT. Eligible community roads will be improved under force account using a combination of local labour and mechanized operations to ensure adequate material compaction. Costs will include charges for equipment hire from private contractors or the district equipment pool.

21. Community road maintenance will be the responsibility of the communities. Subcounties will pay hire charges for any district equipment used in carrying out mechanized operations during community road maintenance. To ensure sustainability of these roads, districts might choose to use part of their allocation of the rural infrastructure fund to provide communities with sets of road toolkits.

22. Other infrastructure. In addition to the general criteria for investments in livestock infrastructure, livestock farmers must also:

• be organized into a legally constituted water users association with a bank account;

• make a pre-payment for dip tank rehabilitation for the first year’s estimated operating costs, equivalent to a least 400 head of cattle being dipped; and

• have an investment cost for livestock water supplies not exceeding UGX 30 000 (USD 21) per head of cattle (in 1999 prices), committed to using the water point at peak periods of the year (i.e. cattle owned by paid up members of the users association) and proof of ownership over the land in question.

23. Overall responsibility for implementation of non-road infrastructure investments will lie with the district planning department with the relevant district department head or other senior specialists involved as required. The relevant technical department will undertake preliminary studies to ensure the development of realistic proposals. Assessment will involve carrying out detailed technical and economic evaluations and environmental impact assessments and the ranking of economically viable options in relation to the eligibility criteria. When necessary, technical back-up will come from the appropriate national agency and the relevant specialists in the PFT. Future users will participate throughout in accordance with the participatory planning process to help ensure long-term sustainability of the investment. Construction will be contracted out to the private sector. Tender

\(^1\) The AfDB is expected to finance the rehabilitation of rural feeder roads linked to AAMP investments under a parallel financing arrangement.
document preparation, tender evaluations and contract supervision will be the responsibility of the head of the engineering department, with support from the infrastructure engineer in the PFT.

24. In some cases (e.g. wholesale market or cool storage facilities), infrastructure may be owned by a district or municipal council rather than an economic interest group in the community or small-business operator. In such cases, owners will have to establish confirmed, legally binding arrangements for management, leasing, or franchising by private-sector operators prior to any work commencing.

25. **Capacity-building.** Other programme resources will be allocated for capacity-building relating to rural infrastructure development. The allocation will finance staff training and mobility. District engineers, works supervisors (roads) and staff of the district planning department will receive refresher training in: (a) planning, road inventory and condition assessment as well as design aspects of community road improvement; (b) tender preparation, bid evaluation and contract negotiations and supervision; and (c) environmental management in road infrastructure development. Roads inspectors serving the AAMP priority subcounties will also receive refresher training with particular emphasis on their role in the overall supervision of community road improvement, and as the trainers of parish headmen and petty contractors in labour-intensive techniques of road construction and maintenance.

26. The programme will finance procurement of motorcycles for works supervisors (roads) at district level and for each of the county-based roads inspectors involved, based on 30% of the counties having subcounties with programme activities.

**Community Mobilization**

27. The programme will finance a community mobilization programme to make smallholders, interest groups and communities aware of the programme and the activities that can be financed from the two funds. Programme support for community development will have three elements: (a) skills development; (b) community mobilization; and (c) institutional support. In addition to the essential features of community mobilization presented hereunder, further details of the component are given in Annex 2.

28. **Skills development.** At the beginning of PY-1, the programme will finance a five-day refresher course for the community development officer and one staff member from the production department in each district. These two in turn will train a team of three staff, one from each of the participating subcounties, the community development assistant, a field extension worker and a member of the works department with a refresher course in the second year. The subject matter will include dissemination of information, community mobilization, formation, operation and management of groups. If any selected subcounties do not have a community development assistant, then the vacancy will be filled by transfer. In addition, the programme will finance exchange visits for staff both within and outside the programme area, including participation in relevant workshops and seminars.

29. **Community mobilization.** Following the AAMP regional start-up workshop, the planning departments will organize: (a) a district start-up workshop in each district to be attended by the District Executive Committee, NGO representatives and subcounty council chairmen from the participating subcounties; and (b) start-up workshops in each of the participating subcounties attended by the sub-county councillors and representatives from the parishes and villages. The subcounty workshops will provide the forum for: (a) establishing contact between the programme and the communities, interest groups and associations; (b) highlighting investment opportunities available under AAMP; (c) explaining the various procedures and eligibility criteria. These workshops will draw up the initial programmes for creating an awareness of programme activities and for participatory rural appraisals.
30. After the completion of the refresher training and start-up workshops, the programme will finance the three trained subcounty staff to work as a team, under the supervision of the community development officers, to carry out participatory rural appraisals in their respective subcounties to:

- identify existing interest groups;
- help establish new interest groups;
- ensure groups and communities are aware of the assistance AAMP can provide;
- assist the communities and interest groups identify their investment priorities in respect of agriculture and rural infrastructure;
- help identify proposals suitable for financing from the two AAMP funds for subsequent inclusion in the AWP/Bs; and
- with the help of the secretaries for mass mobilization, act as the link between the community and interest groups and associations and the technical staff of the specialized services, notably including agriculture and works.

31. The programme will also finance the use of radio announcements, newsletters, music, dance and drama and the functional literacy classes to increase the rural population’s awareness of the programme and its activities. The secretaries for mass mobilization will also participate in community mobilization, follow up on programme activities with community leaders and leaders of interest groups. A particular task will be to ensure that the interest groups remain informed about economic opportunities.

32. The community development officers, assisted by the community development adviser and the programme support officers in the PFT will:

- plan, implement and monitor the community development activities in the subcounties;
- ensure that there is an integrated approach to the mobilization of communities and interest groups; and
- ensure that the technical content of the information provided during the mobilization process, for example in the newsletters, radio broadcasts and drama productions, is appropriate and accurate.

33. **Institutional support.** To improve the outreach capabilities of the community development staff, the programme will provide a four-wheel drive pick-up for each community development officer and bicycles for the community development assistants in each of the participating subcounties. The programme will also finance the cost of office equipment, promotional material (radio broadcasts, etc.), vehicle operating costs, field allowances for the staff and office running costs.

**Programme Facilitation**

34. To assist the districts and the subcounties in their use of the agricultural commercialization fund and rural infrastructure fund, and generally to facilitate implementation, the programme will establish the PFT and finance the following:

- a programme facilitator, and support for M&E within MOLG’s Donor Coordination Office in Kampala (equipment, vehicle, training, special studies, reviews and recurrent costs); and
- a small technical and financial team based in Mbarara within the vicinity of the programme area and reporting to the programme facilitator consisting of: (a) financial controller and an agricultural business development adviser hired on contracts; and (b) an infrastructure
engineer, an agriculturalist, a M&E Adviser, two accountants\(^2\), a community development adviser and three programme support officers located in Mbarara, Kabale and Kabarole\(^3\), assigned from the respective ministries or districts.

35. In addition, the programme will finance the following:

- two internationally recruited short-term technical assistants to assist in setting up: (a) accounting, financial management, auditing and reporting procedures consistent with national systems (six months); and (b) appropriate M&E systems (three months);
- periodic short-term inputs from an experienced economist (11 months in total) to help the districts undertake economic evaluations when prioritizing infrastructure investments; and
- special studies, staff mobility, office equipment, allowances, operating costs and administrative support for the PFT staff in Kampala and the districts.

36. The PFT will constitute the secretariat to the Inter-ministerial Policy Committee for matters relating to AAMP. The programme facilitator will have overall authority for the PFT. The team will:

- train, advise and facilitate district/subcounty personnel as a means of developing their capacity to plan and manage their own priority programmes;
- assist district local governments to liaise with other stakeholders involved in the modernization of agriculture in their areas and develop mutually supportive and complementary programmes;
- assist chief administrative officers to access AAMP resources in support of eligible technical interventions, ensure that funding eligibility criteria are followed by the spending units, as well as ensure that districts accurately account for funds in a timely way; and
- monitor implementation progress and the use of programme funds within and across participating districts; assess the performance of districts and subcounties in terms of the minimum conditions and performance measures, undertake special studies, mid-term and programme completion reviews; and ensure timely audit reporting.

**B. Programme Management and Coordination**

37. **National level.** Being the coordinating ministry for donor support to activities in Uganda’s 45 districts, the MOLG will have overall responsibility for AAMP. Within the MOLG, the PFT will:

- ensure that districts and subcounties have administrations that meet the minimum conditions for participation under AAMP;
- provide technical and management guidance to the districts in respect of programme activities and national level coordination;
- procure major items (e.g. vehicles, equipment and technical assistance);
- liaise with IFAD and the cooperating institution;
- operate the special account;

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\(^2\) To be financed from the loan if no suitable candidates are available within the Government.

\(^3\) The programme support officers based in Mbarara will serve Bushenyi, Mbarara, Ntungamo and the Sembabule districts; the one based in Kabale will serve Kabale, Kisoro and the Rukungiri districts; and the third in Kabarole will serve Bundibugyo, Kabarole and the Kasese districts.
• facilitate the setting up of appropriate accounting, financial management auditing and reporting procedures at the district level, consistent with national systems and ensure that these are followed;

• review, consolidate and approve the AWP/Bs for submission to IFAD and its cooperating institution, ensure their subsequent inclusion in the district budgets and endorsement by the Inter-ministerial Policy Committee;

• maintain PFT records and accounts, consolidate the district and PFT records and accounts, process eligible programme expenditures and prepare withdrawal applications for submission to the Ministry of Finance, Planning and Economic Development (MFPED) and IFAD;

• consolidate district and PFT progress reports and submit six-monthly and consolidated annual progress reports to IFAD and the cooperating institution;

• prepare the annual financial statements for submission to IFAD and its co-operating institution and ensure programme accounts are audited; and

• establish M&E systems acceptable to IFAD, monitor programme performance, carry out an annual assessment of the performance of the districts and subcounties and organize the mid-term and programme completion reviews.

38. In undertaking these activities, the existing Inter-ministerial Policy Committee will assist the PFT and: (a) provide policy guidance in respect of key central Government policies (e.g. the modernization of agriculture); (b) decide whether the districts and subcounties meet the minimum conditions set for programme participation and confirm the results of the annual assessment of performance of districts and subcounties; (c) provide inter-ministerial and inter-departmental coordination where efforts at a lower level have been unsuccessful; and (iv) endorse the AWP/B, progress reports and audits.

39. The Inter-ministerial Policy Committee is chaired by the Permanent Secretary of MOLG. When programme activities are on the agenda the membership will comprise all the existing ministerial members with the following coopted: chief administrative officer from each district, the programme facilitator (secretary), technical specialists of the PFT, representatives of NARO, the Uganda National Farmers Association, as well as the Director of the Agricultural Secretariat.

40. **District Level.** Within the framework of the district development plans district administrations will implement AAMP activities guided by the decisions of the district council and under the management authority of the chief administrative officer. The district administration will:

• with PFT assistance select subcounties in accordance with the AAMP criteria in respect of poverty and potential for increased production and which meet the minimum conditions for participation under AAMP;

• prepare the district AWP/B for consolidation by the PFT and inclusion in the district budget and subsequent approval by the district council;

• implement programme activities included in the AWP/B;

• maintain the programme accounts and records, process eligible programme expenditures and prepare withdrawal applications for submission to the PFT for consolidation;

• prepare the district progress reports and submit six-monthly and consolidated annual progress reports to the PFT;

• prepare the district annual financial statements for submission to the PFT; and
• monitor programme performance and participate in the mid-term and programme completion reviews.

41. The district planning department, as the secretariat to the district technical and planning committee, will be the critical point of linkage between the PFT and the districts. With guidance and support from the programme support officers, the planning department will collaborate with subcounty local governments to develop programmes for AAMP funding within their respective planning frameworks and the overall district development plan. Specific to community development support, Annex 2 elaborates on the role and responsibility of the district community development department.

42. **Subcounty level.** In eligible subcounties, the subcounty local government, under the control of the subcounty chief, will:

  • carry out a programme of community mobilization and participatory planning resulting in the inclusion of proposals for the use of the agricultural commercialization fund and the rural infrastructure fund in the AWP/B;
  • implement programme activities using funds allocated from the district programme in accordance with the AWP/B;
  • maintain the programme accounts and records, prepare annual financial statements and prepare six-monthly and consolidated annual progress reports for submission to the district for consolidation across districts; and
  • monitor programme performance and participate in the mid-term and programme completion reviews.

43. **Community level.** Community leaders, leaders of interest groups and members of group management committees will be involved in awareness creation and community mobilization, participatory planning and assessments of programme effectiveness. Communities and their leaderships will, under the guidance and coordination of subcounty technical planning committees, actively participate in defining work programmes which respond to local opportunities, demands and initiatives.