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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Seventy-First Session**

Rome, 6-7 December 2000

# REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

# REPUBLIC OF UGANDA

FOR THE

# NATIONAL AGRICULTURAL ADVISORY SERVICES PROGRAMME

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## TABLE OF CONTENTS

**APPENDIXES**

## CURRENCY EQUIVALENTS

| | | |
|---|---|---|
| Currency Unit | = | Ugandan Shillings (UGX) |
| USD 1.00 | = | UGX 1 500 (July 2000) |
| UGX100 | = | USD 0.066 |

## WEIGHTS AND MEASURES

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

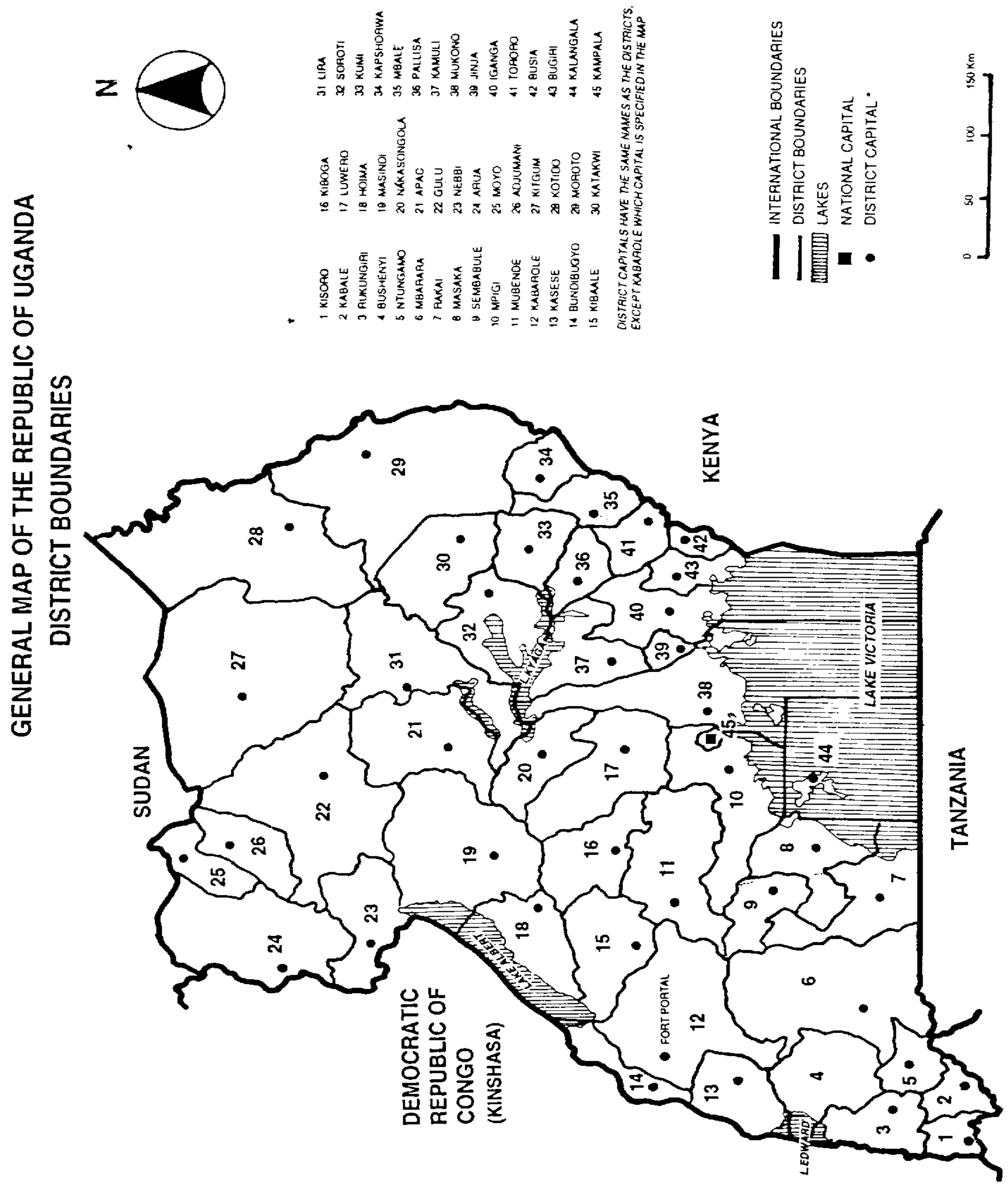
## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AfDB | African Development Bank |
| BSF | Belgian Survival Fund for the Third World |
| DANIDA | Danish International Development Assistance |
| DFID | Department for International Development (United Kingdom) |
| EC | European Commission |
| IDA | International Development Association |
| LGDP | Local Government Development Project |
| MAAIF | Ministry of Agriculture, Animal Industries and Fisheries |
| M&E | Monitoring and evaluation |
| MFPED | Ministry of Finance, Planning and Economic Development |
| MOLG | Ministry of Local Government |
| NAADS | National Agricultural Advisory Services Programme |
| NARO | National Agricultural Research Organization |
| NGO | Non-government organization |
| PMA | Plan for the Modernization of Agriculture |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |

## GOVERNMENT OF THE REPUBLIC OF UGANDA

**Fiscal Year**
1 July - 30 June

# MAP OF THE PROGRAMME AREA




**Source**: Uganda

*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

# NATIONAL AGRICULTURAL ADVISORY SERVICES PROGRAMME

## LOAN SUMMARY

| | |
|---|---|
| **INITIATING INSTITUTION:** | International Development Association (IDA) |
| **BORROWER:** | Republic of Uganda |
| **EXECUTING AGENCY:** | Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) |
| **TOTAL PROGRAMME COST:** | USD 107.93 million |
| **AMOUNT OF IFAD LOAN:** | SDR 13.7 million (equivalent to approximately USD 17.50 million) |
| **TERMS OF IFAD LOAN:** | 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum |
| **COFINANCIER:** | IDA |
| **OTHER FINANCING PARTNERS:** | European Commission (EC), Ireland Aid, Netherlands Development Assistance, Danish International Development Assistance (DANIDA) and Department for International Development (DFID) (United Kingdom) |
| **AMOUNT OF COFINANCING:** | USD 68.86 million (including IDA financing of USD 45.00 million) |
| **TERMS OF COFINANCING:** | IDA: Standard IDA terms<br>Other cofinanciers: Grants |
| **CONTRIBUTION OF THE CENTRAL GOVERNMENT, DISTRICT GOVERNMENTS, SUB-COUNTY GOVERNMENTS AND BENEFICIARIES:** | Central Government: USD 8.64 million<br>District Governments: USD 5.39 million<br>Sub-County Governments: USD 5.39 million<br>Beneficiaries: USD 2.15 million |
| **APPRAISING INSTITUTION:** | Joint Government of Uganda Task Force and donor agencies [a] |
| **COOPERATING INSTITUTION:** | IDA |

[a] External agencies represented throughout the design of the proposed programme include: IDA, African Development Bank (AfDB), IFAD, DANIDA, DFID, EC, Ireland Aid, Netherlands Development Assistance, Norwegian Agency for Development (NORAD), Japan International Cooperation Agency (JICA), United States Agency for International Development (USAID), Food and Agriculture Organization of the United Nations (FAO) and Sasakawa-Global 2000 (SG-2000).

# PROGRAMME BRIEF

**The proposed programme**. The design of the seven-year National Agricultural Advisory Services Programme is based on a decentralized, farmer-driven approach towards the commercialization of the smallholder subsector, which increasingly involves the delivery of services by the private sector, non-governmental organizations and civil society. The first national manifestation of the Government's Plan for the Modernization of Agriculture, the programme will engender a change in the approach to agricultural services provision, farmer and community empowerment, enhanced local fiscal and operational viability, as well as the reduction of public funding support for direct agricultural extension services.

**Who are the beneficiaries?** The target group are the 3 million households that form Uganda's farming base, of which about 75% are mainly subsistence smallholder farmers, including women and youths. Programme beneficiaries will therefore be men and women farmers who will participate through farmer groups and farmer forums; sub-county and district authorities on behalf of farmer groups and farmer forums; farm advisory service providers; and specialist contractors.

**Why are they poor?** Even though agriculture has been, is and, for the foreseeable future, will remain the cornerstone of Uganda's economy and the main source of rural household incomes, livelihoods and welfare, interventions and expenditures by the Government on direct and artificial support of farming and farmers have proved costly, ineffective, unsustainable and of minimal impact on the farmer – with the consequent stagnation, or even decline, of overall agricultural productivity and profitability. A recent thorough analysis by the Government and donor agencies indicates that the impasse is due less to inadequacy of investment on technology generation and dissemination and more to the failure to tailor measures to the real needs of farmers and to deliver outputs in an effective manner.

**What will the programme do for them?** The programme will support: (a) farmers, relating to orientation in the programme's objectives, modalities and conditions for participation; group mobilization and forum establishment; skills development, training and capacity-building; routine on-farm advice; limited goods and material funding; development and management of contract provision; testing and adaptation of promising and desired technologies; exploitation of new production and marketing opportunities; and participatory progress monitoring; and (b) service providers, relating to inventory and assessment of their capacity; establishment and operation of a registration scheme; technical auditing; training in the programme's modalities; bridging training for public-sector extension staff transferring to the private sector; establishment of linkage mechanisms; and limited marketing cost subsidy.

**How will the beneficiaries participate in the programme?** Farmer forums and their constituent groups and associations will have direct responsibility to: assess past progress and prospects for the subsequent farming season; decide how they are to meet challenges and exploit opportunities; decide on their needs for advisory services and other assistance; produce their proposals and feasibility assessment to justify programme assistance; and generally respond, each year, to how to redress their felt needs and predicaments.

# REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE REPUBLIC OF UGANDA FOR THE NATIONAL AGRICULTURAL ADVISORY SERVICES PROGRAMME

I submit the following Report and Recommendation on a proposed loan to the Republic of Uganda for SDR 13.7 million (equivalent to approximately USD 17.50 million) on highly concessional terms to help finance the National Agricultural Advisory Services Programme (NAADS). 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 International Development Association (IDA) 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 $km^2$, of which about 15% is water, consisting chiefly of lakes (see Map). Situated on the equator, the country lies mostly at an altitude of 1 000 - 2 000 m above sea level, and has favourable soils and climatic conditions for agriculture. Based on the 1991 census data, the mid-2000 population is estimated at 21.6 million. Ugandans live in 4.32 million households, and their numbers are growing at 2.5% per annum. They are overwhelmingly rural (85%) and young (47% of the population is below the age of 15). Population density is 109 $km^{2.}$

2. The Local Government Act (1997) devolves considerable responsibility for administration and service provision to elected local councils, with five priority areas for investment: primary education, healthcare, water, feeder roads and agricultural extension. Of these, agricultural extension is the most neglected in terms of funding. The local government system uniformly comprises a series of local councils (LC) tiered from LC-1 to 5, with their representative committees. The sub-county (LC-3) and district (LC-5) levels are the main implementing bodies, with significant staff and budgets; the other levels are basically political groupings: county (LC-4), parish (LC-2) and village (LC-1).

3. Local government revenues (principally graduated tax, payable by all adult men and employed women) are collected at the sub-county level. Of these, the Sub-County Council retains 65%, while 35% is passed to the District Council. Of the revenues initially retained by the sub-county, 5% are allocated to the County Council, 5% to parishes and 25% to the villages. The remaining portion may be used at the discretion of the Sub-County Council, with guidance from the District Council. At the district level, most (over 90%) of the budget comes from the central government and/or donor agencies. Districts receive block allocations either as 'conditional grants' (which can only be used for specified purposes), or as 'unconditional grants' (budgetary support). Discretionary funds per district, therefore, comprise unconditional grants and the 35% share of local revenue. Because these resources are mostly used for salaries and wages, the proportion of funds that can be used for development is relatively small. A select few districts that are considered to need special support also receive 'equalization' grants.

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1 See Appendix I for additional information.

## B. National Economy and the Agricultural Sector

4. The Plan for the Modernization of Agriculture (PMA) is part of the wider Poverty Eradication Plan, the Government's blueprint for poverty alleviation and rural development, which was endorsed in principle by the Consultative Group in March 2000 and approved by the Uganda Cabinet in September 2000. Under the PMA, the Government has established the Poverty Action Fund[2] utilizing mainly monies from the country's entitlement under the Heavily-Indebted Poor Countries Debt Initiative (HIPC DI). The HIPC DI reflects international and donor community acknowledgement of Uganda as one of the few countries in sub-Saharan Africa that is making real strides in economic development and the assurance of social equity.

5. The past decade and a half has seen Uganda's economic growth averaging 5% and that of the monetary sector at 9% during the 1990s, with annual inflation reduced to around 6%. However, the economy is still dependent to a large degree on donor assistance. Gross domestic product (GDP) per capita languishes at about USD 330, and some 48% of the predominantly small farmer rural population is recognized as living in poverty. Agriculture, the largest sector of the economy, has grown at 4% per year since 1990, accounts for 45% of GDP, is of key importance for food self-sufficiency and accounts for some 70% of export earnings. 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 the merchandise export earnings, depending upon international prices. However, despite the strong sectoral performance, real agricultural GDP and rural household incomes in the 1990s were still below those of the 1970s.

6. Some 3 million smallholder families produce about 95% of total agricultural production, constitute 80% of the population and supply virtually all the country's food; only small amounts of sugar and tea are grown on large estates. The majority of smallholder households practise mixed farming, cultivating 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 men and women farmers are increasingly oriented to business 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 (potatoes, maize, wheat, rice tobacco and oilseeds); and (c) the increased attention being given to the husbandry of banana and coffee plots.

## C. Rural Poverty and Alleviation Strategy

7. While Uganda's economy and average incomes have grown since 1987, this has been from such a low base, from over a decade of political and economic turmoil, that the county remains impoverished. Moreover, benefits have not been shared equitably and economic gains have not been matched by social or welfare advances. For instance, while the absolute poverty rate declined from 56% in 1992 to 44% in 1997, not everyone had benefited: (a) the poorest 20% became poorer, though the trend was reversed in 1997; (b) regional disparity had become more pronounced, with poverty rates ranging from 59% in the northern region, compared with 28% in the central region; (c) the rural poverty rate was estimated at over 48%, compared with the urban rate of about 16%; and (d) women had gained proportionately less than men from improvement in the economy.

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[2] The Poverty Action Fund was set up in 1998 to mobilize and guarantee resources from the Government and donors for key sectors/programmes identified in the Poverty Eradication Action Plan. The Poverty Action Fund is an integral part of the Government's Consolidated Fund Account and integrated into the Government's normal planning and budgeting systems. The Government has established strengthened financial management, reporting and accountability procedures that apply to all resources spent under the Fund.

8. Uganda's poor are generally endowed with limited assets, skills and knowledge and are in need of inclusive interventions. Most of the poor depend on smallholder agriculture, with women and youths constituting the majority. The main causes of rural poverty are lack of market access due to inadequate infrastructure, low level of education and the small size of landholdings. Added to these are the incidence, in some of the regions, of civil unrest and the general effect of ill health on economic productivity. In 1997, average life expectancy was 42 years, down from 49 years in 1989, due largely to HIV/AIDS; infant mortality was 99 per 1 000 live births; maternal mortality was 550 per 100 000 live births; and the incidence of underweight and stunting among under-fives was 26 and 38% respectively. The gender dimension of poverty is especially apparent in rural areas, exacerbated by obstacles to ownership of resources and assets, particularly land.

9. 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. The role of the public sector in creating conditions under which such transformations can be realized is recognized in the PMA, which calls for investments and interventions in a number of key areas: (a) agricultural research and advisory services; (b) the establishment and maintenance of a regulatory and policy environment in which markets and distribution chains for credit, modern inputs (including fertilizer, seeds and equipment), and for farm products can develop more fully; (c) improved rural and agricultural education; (d) the establishment of clearer property rights to land in order to encourage investment and the efficient use of natural resources; and (e) the development of infrastructure such as rural roads, which will be needed for growth in the marketing of both inputs and outputs.

## D. Focus on Agricultural Research and Extension

10. While public-sector support is needed for a variety of activities if agricultural growth is to be achieved, the PMA assigns first priority to agricultural advisory services and research. Further, focus is placed on achieving greater relevance in both research and advisory services. The analysis underlying the PMA suggests that the low productivity observed is not a consequence of a lack of research activity, but rather a lack of adequate interface with farmers. Correspondingly, farmers' needs do not at present sufficiently drive the orientation of research and advisory efforts (causing a lack of relevance), while the know-how and the technologies that are produced, even when relevant, are not widely taken up (suggesting a lack of effectiveness in the transfer of technologies). In effect, the agricultural strategy is placing emphasis on improving the relevance and the effectiveness of the process of technology generation and transfer. The new paradigm and vision, as outlined in the PMA, is in favour of developing a more relevant and responsive advisory service system in accordance with the following guiding principles: (a) focusing the content of agricultural research and advisory service activities on enhancing the intensification and productivity of smallholder agriculture; (b) increasingly bringing research closer to (and even into) farmers' fields; (c) making effective and more demand-driven linkages between farmers, advisers and researchers; (d) bringing about a further decentralization of responsibilities for advisory services to the level of sub-counties; (e) contracting out advisory services, technical backstopping and training of advisers; (f) allowing for a plurality of providers and methodologies at the field level; (g) learning from and building on successful experiences; and (h) harmonization of donor-supported interventions with PMA principles.

11. Investments under the PMA for the provision of programmes, facilities, services and other interventions complementary to improved agricultural advisory services delivery are either under way or being developed. For example, in agricultural research, a new strategy has recently been developed, with emphasis on decentralization and increasing responsiveness to men and women farmers' priorities. Adequate funding of the Nation Agricultural Research Organization (NARO) is assured from the Government and various donors, notably the World Bank. In rural finance, the Government has recently established new microfinance services regulations, while there have been initiatives, with some success, by the private sector to revive rural microfinance provision by taking over some of the main branches and operation of the defunct Cooperative Bank. In roads infrastructure for farm and

market access, a new strategy is in place, although commitments by the Government and donors are yet to be firmed up.

## E. IFAD's Strategy for Collaboration with Uganda

12. Consistent with the PMA, IFAD's short- to medium-term assistance to Uganda[3] is directed to: (a) supporting developments that are driven by communities so that rural producers can become full participants in the market economy; (b) strengthening the links between smallholders and the organized private sector; (c) continuing support for smallholder production of traditional and non-traditional "cash" and tradable food crops, and dissemination of associated improved technologies and techniques; (d) supporting income-generation from smallholder livestock production; (e) improving the access to and availability of rural credit; and (f) providing carefully targeted support to the public sector.

## F. Relevant Development Activity and Previous IFAD Experience in Uganda

13. Numerous donor agencies are supporting capacity-building efforts as part of Uganda's decentralization process and development. Districts that are currently being covered or that will be covered through imminent interventions include the following:

(a) Danish International Development Assistance (DANIDA): for decentralization support in Rakai since 1992 and later extended to cover Mubende and Nebbi; and for agricultural support in Kabarole, Mbarara, Pallisa, Rakai and Tororo, plus all districts where the Uganda National Farmers Association has a substantive presence;

(b) United Nations Development Programme (UNDP)/United Nations Capital Development Fund (UNCDF): through the District Development Project as a pilot, intensive district planning, budgeting and financial support since 1997 to Arua, Jinja, Kabale, Kotido and Mukono;

(c) Netherlands Development Assistance: district administration and budget support, with the project content defined by the districts themselves – Adjumani, Arua, Katakwi, Lira, Nebbi, Moyo and Soroti; in some cases a contracted extension service has been used at parish level;

(d) Ireland Aid: long-term (9-15 years) administrative and financial management support, capacity-building and training, as well as roads infrastructure, health, education and agriculture inputs to Kibaale since 1994; and since 1996 extended to Kiboga and Kumi;

(e) IFAD/Belgian Survival Fund for the Third World (BSF): decentralization and agricultural extension support since 1994 in Hoima and Kibaale; and in 2000 extended to Kabarole in collaboration with Ireland Aid; since 1996 in Masindi; and Belgian bilateral assistance also now in Kasese;

(f) IFAD/African Development Bank (AfDB): support including a PMA-compliant approach, imminent for the south-western districts of Bundibugyo, Bushenyi, Kabale, Kabarole, Kasese, Kisoro, Mbarara, Ntungamo, Rukungiri and Sembabule;

(g) AfDB: capacity-building for coordination, management and monitoring linkages from village to national levels for Adjumani, Arua, Moyo and Nebbi;

[3] IFAD's Country Strategic Opportunities Paper for Uganda, December 1998.

(h) World Bank: under the Local Government Development Project (LGDP) covering Apac, Bugiri, Bushenyi, Kabarole, Kitgum, Masaka, Mbale, Mpigi, Mubende, Nebbi, Ntungamo and Tororo; and

(i) Other donors, including DANIDA and DFID: support to decentralization at the centre, in the Local Government Finance Commission as well as the Decentralization Secretariat under the Ministry of Local Government (MOLG).

14. **IFAD's support** to Uganda to date totals SDR 80 million in loans, plus BEF 700 million in grants under the IFAD/BSF Joint Programme (Appendix II). The support is directed variously towards enhancing: (a) farm productivity and income-generation through community-based approaches to integrated rural development; (b) sub-sector/commodity-specific activities to increase smallholder cash incomes in partnership with the organized private sector; and (c) community-based development and specific activities for orphans and households caring for orphans. Among lessons learned are the following: (i) management needs to be decentralized to project/programme areas; (ii) a strong interest exists among the IFAD target groups, notably including women and youths, in generating cash income (and savings) from agriculture; (iii) input supply no longer requires direct government intervention – with the exception of the provision of clean planting material, livestock breeds and fish fingerlings; (iv) support for financial services should only be provided through established and sustainable entities with long-term commitment, since the option of using projects/programmes as credit channels is unsuitable; and (v) there is a need to develop and try new extension approaches and methods that take into consideration the changed social, economic and institutional framework of the country.

## G. Rationale and Strategy for the Proposed Programme

15. The thrust of the strategy of both the Poverty Eradication Action Plan and the PMA is to: (a) improve on-farm productivity; (b) switch production patterns in the direction of higher-value farm products; and (c) increase the farmers' level of commercialization. The proposed programme will address each of these issues directly. The programme will provide a way for men and women farmers to: gain access to and familiarity with a broader range of technical and managerial tools and techniques; improve the factor productivity of their farms; change the mix of products that they produce so that they can produce higher-value crops and animal breeds in order to achieve greater value-addition on the farm; become more effective participants in the input and output markets; and improve the terms of trade available to them in the market place. The rationale is hinged on the perception and fact that interventions and expenditures on direct and artificial support of farming and farmers by the Government have thus far proved costly, ineffective, unsuitable and of minimal impact on the farmer, with the consequent stagnation (or even decline) of overall agricultural productivity and profitability. In particular, the training-and-visit system of technology dissemination and transfer, which has been in use for over a decade, has not proved effectual and viable.

16. In opting for the PMA vision and guiding principles, the Government has decided to incorporate the following features in the design of the programme: (a) *independence and flexibility:* a small and semi-autonomous unit of the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) will be created (a NAADS Executive with a part-time Board) to escape from old bureaucratic structures and some of the civil-service restrictions that limit the flexibility and effectiveness of many public-sector institutions; (b) *further decentralization:* responsibility and funding for agricultural advisory services will be moved from the district level to the sub-county and farmer level; (c) *contracting out services:* districts will be given strong incentives to downsize the number of extensionists employed as civil servants in favour of contracting the services of agricultural advisers and private operators; (d) *cost-sharing:* farmers and local governments will be required to pay a gradually increasing part of the cost of the programme to increase their sense of ownership and level of accountability, thus moving the programme over time in the direction of greater sustainability, as the scale of central government and donor commitments to the programme is gradually reduced; and (e) *donor*

*coordination:* the Government expects that donor support to the programme will be coordinated in a common commitment to the programme and a common mechanism through which to provide funding to allow for a less-piecemeal pattern of donor and budget support, while permitting the Government to achieve ownership of the programme.

17. **IFAD's strategic involvement** will add value to the proposed programme, especially in terms of smallholder farm development and commercialization, women's advancement, community empowerment and poverty alleviation – aspects that are central to the Fund's country strategy. The converse is that IFAD's non-participation would constitute a limitation in the scope of future interventions of the type that the Fund and BSF have clearly demonstrated to be successful: integrated district development support; women's and rural credit activities; provision of agricultural services, increasingly with pluralistic and commercially oriented methodologies; and community uplift and poverty-targeted initiatives.

## PART II – THE PROGRAMME

### A. Objectives, Outputs and Phasing

18. The design of the programme is based on a decentralized institutional structure and an outsourced public agricultural advisory system under which responsibility for and decision-making in the implementation of extension services will be placed at the level of sub-counties. Farmers and other beneficiaries themselves will participate, together with the respective sub-county governments, in the management of agricultural advisory services. The financing of the programme will be shared on a matching-grant basis by the central government (partially through the proposed IFAD loan and contributions from other donors), district governments, sub-county governments and the beneficiaries.

19. The programme's development goal is to increase the security of rural livelihoods, with sustainable improvements in agricultural productivity and household incomes. The purpose is to ensure that men and women farmers become aware of and apply improved crop, animal and fishery husbandry and management practices, and identify and solve their technical and marketing problems using appropriate knowledge and practices. The primary means to this end will be to realize the vision of a decentralized, largely farmer-owned and private-sector-delivered farm advisory service that will increase farmers' access to essential information and support to improve farm productivity, profitability and the welfare of rural households. The principal expected outputs that will be key measures of the progress and impact of the programme include: (a) appropriate advice and information made available to differentiated categories of men and women farmers in a cost-effective manner; (b) appropriate technologies made available in sufficient quantities and sustainably enhanced to meet farmers' identified needs for advice and information; (c) quality of advice and information supplied by service providers assured; and (d) appropriate institutional structures and capacity to operate the programme effectively developed at all levels. Appendix III presents the logical framework, and Appendix IV the key indicators for monitoring and evaluation (M&E).

20. **Programme phasing**. A basic premise of the programme is the development of options for financing and delivering advisory services across the continuum of predominantly subsistence to commercial farmers, gradually increasing the overall spending, but reducing the public exchequer burden. The initial shift from public to private delivery is excepted to take place within the first seven years of the programme. After an initial start-up period, the shift from public to at least 50% private financing is scheduled to take 25 years, phased as follows: (a) Phase 1 (seven years): initial establishment of the programme; test and trailblaze different implementation principles, modalities and approaches over a two-year period, with a shift from public to farmer ownership and private service delivery of advisory services; scale up proven modalities in the subsequent five years and build the foundation for greater private-sector financing; (b) Phase 2 (five years); increase funding and

achieve a ratio of public to private finance of about 3:1; and (c) Phases 3 to 5 (each lasting five years): increase overall funding of advisory services and accelerate role of industry in financing their provision, such that the ratio of public to private financing is about 2:1 by the end of Phase 3; 1.5:1 by the end of Phase 4; and 1:1 by the end of Phase 5. The proposed IFAD support will finance only Phase 1 of the programme.

## B. Programme Area, Target Groups and Targeting Area

21. While the programme will be national in coverage, participation will not be mandatory for any level of the local government system. Rather, the opportunity to participate will be offered to all the 45 districts and 975 sub-counties willing to match the programme grants and able to satisfy stipulated minimum conditions/criteria (paragraph 36 and Appendix VII-B)[4]. Even though district and sub-county capacity to qualify will determine their participation in the programme, its design and costings assume that not less than 40 districts and 540 sub-counties will benefit by the end of the first phase; indeed, the number of sub-counties is likely to exceed 700.

22. The target group for the proposed programme will comprise the 3 million households that form Uganda's farm-family base, of which about 75% are primarily subsistence smallholder farmers, including women and youths. Programme participants will, therefore, be men and women farmers organized in farmer groups/associations/forums; sub-county and district authorities on behalf of the farmer groups and farmer forums; farm advisory service/input providers; and specialist contractors.

23. **Poverty and gender targeting.** Given that the ultimate goal of the PMA is poverty alleviation, the programme will encompass poor men and women, small-scale subsistence and market-oriented farmers, as well as the semi-commercial and commercial enterprise farmers. To a large degree, the broad-based farm advisory services will cover a high proportion of families with smaller acreage and the greatest need. To ensure this happens, the programme will use targeting methodologies in three ways: (a) allocating resources at the central, district and sub-county government levels, as well as at community level; (b) promoting special and specific services and activities to reach the poorest, particularly women; and (c) incorporating targeting mechanisms in other aspects of the programme, such as farmer organizations, learning, capacity-building and M&E. In addition, the voucher system of targeting will be tested as part of the initial pilot activities in the first phase of the programme towards ensuring the inclusion, in particular, of women and other vulnerable groups. Further information on resource allocation and targeting especially of women beneficiaries is contained in Appendix VII-A.

## C. Programme Components and Description

24. The proposed programme will have the following five components implemented over the first phase of seven years: (a) advisory and information services to farmers; (b) technology testing and market-linkage development; (c) regulation and technical auditing of service providers; (d) private-sector institutional development; and (e) programme management and monitoring.

25. **Advisory and information services.** This component will support activities relating to: (a) orientation, participatory planning and group mobilization (involving orientation in the programme's principles, objectives, modalities and conditions; participatory needs assessment, farmer forum establishment, group mobilization; training and capacity-building for farmer groups and local governments in programme-specific work planning, budgeting, administration and financial management); (b) farm advisory service contracting (advice and assistance in the preparation,

[4] The programme's minimum conditions are partly based on and are similar to criteria established and used for the UNCDF/UNDP-assisted District Development Project; interventions assisted by the Government under the Poverty Action Fund; and the World Bank–assisted LGDP.

submission and finance of group workplans and budgets; provision for routine on-farm advice, skills development and capacity-building; participatory M&E; limited goods and materials funding for field demonstrations and establishment of farmer-based services; legal advice for farmer groups/farmer forums; and professional assistance for development and management of contract provisions); and (c) information and communications (establishment and operation of sub-county/district-specific information and communications capacity).

26. **Technology testing and market-linkage development.** This component will, through an on-farm technology development fund, support: (a) on-farm technology testing and market-linkage development (contracting of specialist individuals and institutions in the areas of agricultural production technologies, the economics of farm management and the use of agricultural markets to help farmers test, adapt and adopt promising techniques and technologies and to exploit new production and marketing opportunities, as well as to resolve specific technical and marketing problems); and (b) district/national priority projects (contracting of specialist individuals and institutions to explore and address district, regional or country-wide technology and market-linkage development issues as agreed by farmer institutions and the NAADS Executive).

27. **Regulation and technical auditing of service providers.** This component will finance: (a) standard-setting and regulation of service providers (inventory and assessment of service provider capacity at national, district and sub-county levels; establishment of standards for service delivery; and support for the establishment and operation of a registration scheme and professional association for service providers); and (b) technical auditing of service providers (random sample technical auditing of service providers by district and central government representatives with contracted assistance).

28. **Private-sector institutional development.** Activities to be supported under this component will include: (a) local service provider development (initial training in the programme's principles and modalities; bridging training for public-sector extension staff transferring to the private sector; training on nationally defined public goods issues, and in new and emerging concepts and innovations; facilitation of credit and business advice); (b) support for national representative organizations and institutions (facilitation of preliminary consultations; establishment of linkage mechanisms; limited marketing cost subsidy); and (c) structural adjustment retrenchment (severance payments for field-level and district extension staff, including pension entitlements).

29. **Programme management and monitoring.** This component will fund: (a) a Board and Executive (Board activities and allowances; management appointments/remuneration and allowances; financial management and other systems establishment and operation; national information and communication; policy analysis and formulation; stakeholder consultations; legal affairs; and premises, transport, equipment, utilities and consumables); (b) planning, design, institution, oversight and assistance with the planning processes (from the grass-roots up to sub-county and district level for farmer institutions groups and forums, including guidance on proposal preparation and submission); and (c) management information system (MIS) and impact evaluation (establishment of MIS; physical and financial progress monitoring and reporting; assessment of local government compliance with the programme's eligibility criteria; baseline, benchmark and programme phase completion surveys, and periodic case studies; annual, mid-term and periodic reviews; and impact assessment and evaluation locally, internally and externally).

## D. Programme Costs and Financing

30. Total programme costs over the seven-year first-phase period, including physical and price contingencies, duties and taxes, are estimated at approximately USD 107.93 million, to be contributed by the central government (8% or USD 8.64 million); donor agencies (80% or USD 86.36 million); district and sub-county governments (5% or USD 5.39 million each); and beneficiary farmers (2% or USD 2.15 million). The foreign costs are estimated at USD 14.14 million, mainly for the provision of

vehicles and equipment. Of the donor contribution, USD 17.50 million will be financed by an IFAD loan through the common pool mechanism. The other financing partners, including IDA, will finance the balance of USD 68.86 million. The programme costs are summarized in Table 1 by components, while Table 2 estimates the funding support by the various stakeholders over the seven-year first-phase programme.

**TABLE 1: PROGRAMME COSTS – SUMMARY BY COMPONENT [a]**

| Components | Cost (USD million) | % of Total Cost |
|---|---|---|
| Advisory and information services to farmers | 69.79 | 64.7 |
| Technology and market-linkage development | 6.33 | 5.9 |
| Regulation and technical auditing of service providers | 1.33 | 1.2 |
| Private-sector institutional development | 3.38 | 3.1 |
| Programme management and monitoring | 16.46 | 15.2 |
| **Total base cost** | **97.29** | **90.2** |
| Physical contingency | 4.86 | 4.5 |
| Price contingency | 5.76 | 5.3 |
| **Total programme cost** | **107.93** | **100.0** |

[a] Discrepancies in totals are due to rounding.

**TABLE 2: PROGRAMME FINANCING PLAN [a]**

| Stakeholders Contributions | PY-1 | PY-2 | PY-3 | PY-4 | PY-5 | PY-6 | PY-7 | Total |
|---|---|---|---|---|---|---|---|---|
| **Contribution (USD million):** | | | | | | | | |
| Central government | 0.30 | 0.29 | 0.88 | 1.27 | 1.68 | 2.02 | 2.20 | 8.64 |
| Donor agencies | 3.00 | 2.93 | 8.76 | 12.72 | 16.81 | 20.18 | 21.96 | 86.36 |
| District government | 0.19 | 0.18 | 0.55 | 0.79 | 1.05 | 1.26 | 1.37 | 5.39 |
| Sub-county government | 0.19 | 0.18 | 0.55 | 0.79 | 1.05 | 1.26 | 1.37 | 5.39 |
| Farmer groups/forums | 0.07 | 0.07 | 0.22 | 0.32 | 0.42 | 0.50 | 0.55 | 2.15 |
| **Total cost** | **3.75** | **3.65** | **10.96** | **15.89** | **21.01** | **25.22** | **27.45** | **107.93** |
| **Contribution (%):** | | | | | | | | |
| Central government | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Donor agencies | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| District government | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Sub-county government | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Farmer groups/forums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Total percentage** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

[a] Discrepancies in totals are due to rounding.

## E. Procurement, Disbursement, Accounts and Audit

31. **Procurement**. The procurement of goods and services and the recruitment of consultants will be made in accordance with IDA procedures. More than 75% of the programme budget will finance locally procured services – mostly annual contracts for agricultural advisory service providers and shorter-term contracts for technical assistance to farmers and their advisers. Provision for district-based procurement already exists – as does provision for procurement at the sub-county level, but up to very low thresholds[5]. Payments for the provision of advisory services will be made directly to the service providers engaged to advise farmers under contractual arrangements. Farmers will be

[5] The current procurement ceilings are UGX 1 million (equivalent to about USD 600) for works and UGX 0.5 million (about USD 300) for goods and services, compared with an estimated USD 50 000 for the programme's advisory services contracts annually at the sub-county level.

empowered to play a leading role in, among others, the procurement of advisory services through farmer forums, which will participate in tendering and contracting in conjunction with the sub-counties, districts and the NAADS Executive.

32. Pending the enactment of a programme organization statute (to empower programme institutions: farmer groups, farmer forums, the NAADS Executive and NAADS Board), the Central Tender Board will authorize procurement for national-level goods and services, while the District Tender Boards will play a similar role for procurement at the district and sub-county levels. Once the NAADS Organization Bill is enacted, a procurement manual will be prepared as a guide for the farmer forums and the NAADS Executive.

33. **Disbursement and financial management.** The programme funds will be disbursed predominantly by sub-county governments which will account for 77%, with district- and national-level disbursement accounting for 11 and 12% respectively. In line with the existing practice for conditional grants, participating districts and sub-county administrations will open accounts for the collection and operation of the programme's conditional grant funds and matching contributions (Appendix V). Release of funds will be conditional upon (among other things) the timely submission of financial and progress reports. To ensure adequate capacity for the effective and efficient flow of funds and financial accountability, the programme will offer specific technical assistance, in addition to the ongoing general capacity-building of local-level institutions under the World Bank-assisted LGDP.

34. **Audit.** There will be an annual audit of all programme expenditures to be performed by independent auditors under the auspices of the Auditor-General. In addition to the financial flow of funds, the audit will also include a review of the operating systems and processes.

## F. Organization and Implementation Arrangements

35. The programme will be implemented within the framework established by the Government for decentralized administration and development – as amended to meet programme-specific requirements (paragraph 39). MAAIF will have, through the NAADS Board and Executive, overall national responsibility for the programme (Appendix VI), with oversight by the Ministry of Finance, Planning and Economic Development (MFPED). The MOLG will have a vital role especially in ensuring that programme activities dovetail with and capitalize on other district integrated development and capacity-building initiatives.

36. **Minimum condition for participation in the programme.** Except for the initial two years of trailblazing (paragraph 40), the programme will function simultaneously in all districts and sub-counties of the country. However, before a district and sub-county can access programme funds, it will need to satisfy the stipulated minimum criteria for participation (Appendix VII-B). As part of the transition period, the NAADS Executive will carry out an assessment of those districts and sub-counties that satisfy the programme's minimum conditions. Districts and sub-counties that do not fully meet the set minimum criteria will be able to gain provisional acceptance on the basis that they will be assisted to achieve compliance standards, either through direct programme support or other ongoing interventions, notably including the LGDP.

37. **Farmer groups and farmer forums.** The effective participation of farmer institutions and organizations will be a crucial element for successful programme implementation. The formation of farmer groups in sub-counties and farmer forums at sub-county, district and national levels will enable

benefiting farmers to formulate their demands and needs for advisory services[6]. The roles and responsibilities of farmer groups and farmer forums in programme implementation process are summarized in Appendix VII-C, while Appendix VII-D lists the minimum requirements and conditions for their recognition for and participation in the programme.

38. **Service providers.** The major role of service providers[7] will be to arrange and perform advisory, research and development services in response to the demands of farmers (through their farmer forums), sub-counties, districts and the NAADS Executive. An important potential source of expertise for agricultural advisory services will be the existing extension staff presently employed by the public sector: the programme is designed to facilitate their smooth transfer to the private sector. As part of the transition period, the NAADS Executive will undertake a survey to ascertain the levels of existing coverage of service provision and the capacity of service providers. Eligibility criteria for service provision and participation in the programme by service providers are summarized in Appendix VII-E.

39. **NAADS Organization Act.** To successfully implement the programme, a specific law, the NAADS Organization Act, is contemplated (rather than attempt piecemeal amendments of the numerous existing laws and regulations), primarily to: (a) accommodate the establishment and operation of the NAADS Board and Executive as a statutory parastatal organization; (b) allow for the legal recognition and registration of farmer groups and farmer forums as institutions empowered to manage programme funds and to contract service providers; and (c) allow for sufficient farmer participation in advisory service tendering and contracting, as well as control over the award of bids from service providers. Further details relating to the programme legal framework are provided in Appendix VII-F.

40. **Transition and trailblazing.** The Government intends to launch the programme in January 2001 with the commencement of a two-year trailblazing to test certain design modalities, approaches and principles (Appendix VII-G). To spearhead the transition from the existing advisory service arrangements to the programme, and pending the enactment of the NAADS Organization Bill, the Government will establish a NAADS Interim Secretariat and a Steering Committee – which will become the NAADS Executive and Board respectively once the draft Bill becomes law. Different working arrangements and technical issues will be test-piloted during the programme's trailblazing period. From an initial six districts and 12 sub-counties (two from each district), it is anticipated that the coverage will be doubled by the end of the two-year period, depending upon performance and experience.

41. **Progress monitoring and impact.** Programme monitoring will record the delivery of programme inputs and the achievement of outputs. The basic measurement period will be a semester. The logical framework in Appendix III sets out the inputs and the expected outputs; Appendix IV summarizes the main M&E indicators that will be used. Monitoring will be concerned with programme performance in delivery of individual services and supplies; timing and coordination of activities; and impact. Progress monitoring will take place at four levels: (a) in the field, in community, village and farmer group activities where the farm advisers from the cadre of service providers (and all participating agencies) will have responsibility; (b) at the sub-county, where the head of the Production Department, the sub-accountant and the sub-county chief will have the responsibility; (c) at the district, where the head of the Production Department, or any other designated

[6] At a sub-county where several registered farmer groups will be formed and operate, a sub-county farmer forum will be constituted to comprise all the executive members of all the farmer groups in the sub-county; and similarly for the establishment of representative farmer forums at district and national levels.

[7] The range of service providers will include: individuals, groups of advisers, consultancy and professional entities, parastatal agencies, academic institutions and commercial companies.

programme coordinator, will assemble and assess data from sub-counties and report to the finance officer, the District Technical Planning Committee and to the chief or deputy chief administrative officer; and (d) at the NAADS Executive, where the M&E officer will distil the information and prepare consolidated reports for inclusion in biannual progress reports to the NAADS Executive and, thereafter, to the NAADS Board and MAAIF (Appendix VI).

42. Specific programme evaluation will take place: by an independent joint review mission in the third programme year (PY3), when an interim impact assessment will be made of tasks completed, increments obtained and benefits accrued against baseline data and targets; and during a joint review mission at the end of the seven-year period when a completion impact assessment report will be produced.

## G. Benefits and Economic Justification

43. The programme will have both direct and indirect benefits. The economic analysis undertaken using both a sector programme approach and farm enterprise-based analysis indicates that the investment in the programme is economically viable. At the aggregate level, a minimum productivity improvement of 7% over the seven-year period (or slightly less than 1% per year) is required per adopting farm family/household for the programme to be economically viable and achieve an economic internal rate of return of 12%. This level of productivity improvement is equivalent to approximately a USD 50 increase per farm household, or USD 7 per year. By PY7, the programme will involve about 420 000 farm households (or 2.5 million people) in 40 districts, with the vast majority of beneficiaries being smallholder farmers.

44. The programme will generate a range of other benefits. During the seven-year first phase, about USD 80 million will be channelled directly to the private sector in rural areas in the form of contracts for the delivery of services – with likely indirect and yet substantial benefits: improved human resource capacity, upgraded skills and strengthened local institutional capacity, which will generate benefits when used in other economic and non-economic activities. In addition, the aggregate reduction in the wage bill by privatizing advisory services will result in a savings of USD 2 million each year by PY7 – enough to meet counterpart fund contributions to the programme.

## H. Risks

45. Programme implementation will be mainly a within-district and sub-county function directly, involving farmers, such that most of the associated risks are institutional, revolve around the capacity of the local governments and farmer forums to assume full decentralized responsibilities, as well as to adopt the principles and procedures embodied in the programme design and the PMA. The Government’s strong commitment to policy and institutional reform, together with the capacity-building measures incorporated in the programme, are expected to mitigate these risks.

## I. Environmental Impact

46. Given the levels of both current and imminent further degradation of many arable lands in lowland, plains and middle and upper catchment areas, and in view of the considerable damage from overgrazing and illegal grazing and the burning of range and brush lands, programme interventions will have significant positive environmental benefits and pose minimal hazards. The agricultural land management and conservation practices that will be incorporated will be consistent with best practice in land management, and water and vegetation conservation. Only small incremental amounts of fertilizers and agrochemicals are likely to be advocated for technical and economic reasons; where they are used, these inputs will be delivered with strong extension messages on their proper use within the relevant regulatory codes. Integrated pest management systems, using the concept of farmer field schools, will help to reduce the need for many types and large quantities of chemicals.

## J. Innovative Features

47. The creative features of the programme include: (a) bringing together elements of decentralization and commercialization in the provision of agricultural support services; (b) opening up businesses that will provide the services that farmers need and forge mutually beneficial relationships with private-sector agencies; (c) giving farmers the jurisdiction, resources (and responsibility) for improving their own predicament and that of their families and communities; (d) deepening the country's decentralization and devolution process; and (e) pioneering the instruments and the mechanism of multiple-donor funding and shared responsibility for programme supervision and progress monitoring.

## PART III - LEGAL INSTRUMENTS AND AUTHORITY

48. 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.

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

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

## PART IV – RECOMMENDATION

51. 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 thirteen million seven hundred thousand Special Drawing Rights (SDR 13 700 000) to mature on and prior to 1 December 2040 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

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

(Loan negotiations concluded on 2 December 2000)

1. The Government of the Republic of Uganda (the Government) will open and thereafter maintain in the Bank of Uganda, a special account denominated in United States dollars for the purpose of financing the programme. The Government will deposit proceeds withdrawn both from the loan and from the credit provided by the International Development Association (IDA) into the special account, applying the ratio of IFAD 28% and IDA 72% of all proceeds withdrawn.

2. The Government will prepare and furnish to IFAD, through IDA, not later than 45 days after the end of each calendar quarter, a project management report for such period. Each project management report will set forth (a) actual and projected sources and applications of funds and expenditures for the programme during the reporting period and six months thereafter; (b) a description of physical progress in programme implementation during the reporting period; and (c) the status of procurement under the programme at the end of the reporting period. Each application for withdrawal from the loan will be supported by a project management report.

3. The Government will open a budget support account in the Bank of Uganda (the NAADS budget support account), into which it will deposit the proceeds of the loan and the IDA credit withdrawn from the special account and the contributions of all other participating financiers.

4. The Government will ensure that the NAADS Secretariat and each district and sub-county participating in the programme (the participating districts and participating sub-counties) open and maintain accounts in commercial banks, into which funds provided by the Government from the NAADS budget support account will be deposited for the purpose of financing programme activities at the district and sub-county levels (the district and sub-county accounts). Such funds will be transferred by the Government as grants on the basis of participation agreements entered into between the Government and respective Participating Districts and Sub-counties.

5. The following are specified as additional conditions for disbursement of the proceeds of the loan:

(a) no withdrawals shall be made in respect of expenditures for agricultural advisory services grants provided under Part A (Advisory and Information Services to Farmers) and Part B (Technology Development and Linkages with Markets) of the programme (sub-projects), unless such sub-projects were made in accordance with the procedures, guidelines and other provisions set out or referred to in the project implementation manual and the development credit agreement;

(b) no withdrawals shall be made in respect of categories I (b), II (b), III (b) and IV (b) (i.e. payments made after a start-up phase of the programme) unless:

(i) the NAADS Board has been established as a statutory organization;

(ii) the Government has established a legal framework for (A) the registration and legal existence of farmers' fora at the national, district and sub-county levels, with powers of the fora to receive funds for carrying out sub-projects, and (B) the granting of powers to farmers' fora and sub-county authorities at the sub-county level to carry out procurement of goods and services worth up to USD 50 000 per contract under the programme.

6. The following are specified as additional conditions to the effectiveness of the loan agreement:

   (a) IFAD shall have received and approved written evidence that the conditions precedent to effectiveness set forth in the development credit agreement have been fulfilled, such conditions being the following:

      (i) the Government has furnished to IDA evidence that the NAADS Secretariat has been established and has employed at least a financial controller, an accountant and four quality assurance reviewers, all with qualifications and terms of references satisfactory to IDA;

      (ii) the Government has adopted and furnished to IDA the project implementation manual and the financial procedures manual;

      (iii) the Government has established a financial management committee within the NAADS Secretariat, with terms of reference satisfactory to IDA;

      (iv) the Government has appointed a firm of auditors selected in accordance with procedures set forth in the development credit agreement;

      (v) a memorandum of understanding (specifying, *inter alia*, the level of funding of the programme, common procedures for annual approval of budget and work plans, quarterly cash flow forecasts, commitments and disbursement triggers, common procurement procedures, reporting formats and timing and periodic reviews and evaluation) has been signed by the Government, IDA, IFAD and at least one other participating financier, and has come into full force and effect in accordance with the terms prescribed in the memorandum of understanding;

      (vi) IDA has received evidence that the NAADS budget support account has been opened in the Bank of Uganda and at least one district account and one sub-county account have been opened in a commercial bank; and

      (vii) participating agreements have been duly signed by at least one participating district and one participating sub-county;

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

   (c) a favourable legal opinion, issued by the attorney-general, or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, shall have been delivered by the Government to IFAD.

# COUNTRY DATA

## UGANDA

| | | | |
|---|---|---|---|
| **Land area (km$^2$ thousand) 1997 1/** | **200** | **GNP per capita (USD) 1998 2/** | **310** |
| **Total population (million) 1998 1/** | **20.9** | **Average annual real rate of growth of GNP per capita, 1990-98 2/** | **4.3** |
| **Population density (people per km$^2$) 1998 1/** | **105** | **Average annual rate of inflation, 1990-98 2/** | **15.3** |
| **Local currency** | **Ugandan Shilling (UGX)** | **Exchange rate: USD 1 =** | **UGX 1 500** |

| | | | |
|---|---|---|---|
| **Social Indicators** | | **Economic Indicators** | |
| Population (average annual population growth rate) 1980-98 1/ | 2.7 | GDP (USD million) 1998 1/ | 6 775 |
| Crude birth rate (per thousand people) 1998 1/ | 47 | Average annual rate of growth of GDP 1/ | |
| Crude death rate (per thousand people) 1998 1/ | 20 | 1980-90 | *2.9* |
| Infant mortality rate (per thousand live births) 1998 1/ | 101 | 1990-98 | 7.3 |
| Life expectancy at birth (years) 1998 1/ | 42 | | |
| | | Sectoral distribution of GDP, 1998 1/ | |
| Number of rural poor (million) (approximate) 1/ | n.a. | % agriculture | 44.6 |
| Poor as % of total rural population 1/ | n.a. | % industry | 17.6 |
| Total labour force (million) 1998 1/ | 10.2 | % manufacturing | 8.9 |
| Female labour force as % of total, 1998 1/ | 47.6 | % services | 37.8 |
| | | | |
| **Education** | | Consumption, 1998 1/ | |
| Primary school gross enrolment (% of relevant age group) 1997 1/ | *74.3* | General government consumption (as % of GDP) | 9.6 |
| Adult literacy rate (% of total population) 1997 3/ | 64 | Private consumption (as % of GDP) | 84.7 |
| | | Gross domestic savings (as % of GDP) | 5.7 |
| **Nutrition** | | | |
| Daily calorie supply per capita, 1996 3/ | 2 110 | **Balance of Payments (USD million)** | |
| Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/ | 38.3 | Merchandise exports, 1998 1/ | n.a. |
| Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/ | 25.5 | Merchandise imports, 1998 1/ | n.a. |
| | | Balance of merchandise trade | n.a. |
| **Health** | | | |
| Health expenditure, total (as % of GDP) 1990-98 1/ | 4.7 | Current account balances (USD million) | |
| Physicians (per thousand people) 1990-98 1/ | 0.04 | before official transfers, 1998 1/ | -1 246 |
| Percentage population without access to safe water 1990-97 3/ | 54 | after official transfers, 1998 1/ | - 706 |
| Percentage population without access to health services 1981-92 3/ | 29 | Foreign direct investment, 1998 1/ | 200 |
| Percentage population without access to sanitation 1990-97 3/ | 43 | | |
| | | **Government Finance** | |
| **Agriculture and Food** | | Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/ | n.a. |
| Food imports as percentage of total merchandise imports 1998 1/ | n.a. | Total expenditure (% of GDP) 1997 1/ | n.a. |
| Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/ | 2 | Total external debt (USD million) 1998 1/ | 3 935 |
| Food production index (1989-91=100) 1996-98 1/ | 107.1 | Present value of debt (as % of GNP) 1998 1/ | 35.1 |
| | | Total debt service (% of exports of goods and services) 1998 1/ | 23.6 |
| **Land Use** | | | |
| Arable land as % of land area, 1997 1/ | 25.3 | Nominal lending rate of banks, 1998 1/ | 20.9 |
| Forest area (km$^2$ thousand) 1995 1/ | 61 | Nominal deposit rate of banks, 1998 1/ | 11.4 |
| Forest area as % of total land area, 1995 1/ | 30.6 | | |
| Irrigated land as % of cropland, 1995-97 1/ | 0.1 | | |

n.a. not available.
Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000
2/ World Bank, *Atlas*, 2000
3/ UNDP, *Human Development Report*, 1999

# IFAD/BSF COUNTRY PORTFOLIO OF LOANS AND GRANTS

| Loan/Grant No. | Project/Programme Title | Financing Source | Terms of Loan | Board Approval Date (1) | Effectiveness Date | Actual/ Extended Closing Date | Cooperating Institution | BEF Million: Total BSF Grant | BEF Million: Total BSF-IFAD Grant Disbursement as at 9 October 2000 Amount | BEF Million: Total BSF-IFAD Grant Disbursement as at 9 October 2000 % | SDR Million: Original IFAD Loan | SDR Million: IFAD Loan Disbursements as at 9 October 2000 Amount | SDR Million: IFAD Loan Disbursements as at 9 October 2000 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A. On-going Projects** | | | | | | | | | | | | |
| 482-UG | DDSP | Regular/BSF | h.c/Grant | 10.09.98 | 24.05.00 | 30.06.05 | IFAD | 164.0 | - | - | 9.50 (8) | - | - |
| 442-UG | VUDP | Regular | h.c. | 29.04.97 | 10.07.98 | 30.06.06 | IDA | - | - | - | 14.35 (7) | 0.725 | 5.78 |
| 360-UG | CSDP | Regular | h.c. | 20.04.94 | 18.11.94 | 31.12.00 | IDA | - | - | - | 8.95 | 6.7 | 75.0 |
| BG 32-UG | UDP | BSF | Grant | 03.07.00 | | | UNOPS | 123.0 | - | - | - | - | - |
| | Sub Total | | | | | | | 287 | | - | 32.8 | 7.425 | |
| | **B. Closed Loans** | | | | | | | | | | | | |
| 316-UG | Smallholder Cotton Rehabilitation | Regular | h.c. | 02.12.92 | 28.04.93 | 31.01 | IDA | | | | 6.62 | 6.62 | 100.0 |
| S10-UG | Southwest Region Agric. Rehab | SPA | h.c. | 04.12.87 | 17.08.88 | 28.02.96 | IDA | | | | 9.10 (5) | 8.12 | 89.0 |
| 159-UG | Agricultural Development | Regular | h.c. | 12.12 | 14.05.86 | 30.09.93 | IDA | | | | 14.6 | 12.83 | 88.0 |
| 080-UG | Agricultural Reconstruction | Regular | h.c. | 17.12.81 | 18.04.82 | 30.06.86 | IDA | | | | 16.55 (6) | 15.81 | 96.0 |
| BG 05-UG | Hoima Kibaale Int. Com. Dev. Project | BSF | Grant | 20.09 | 11.10 | 31.12.86 | UNOPS | 330.0 | 330 | 100 | | | |
| BG 15-UG | Masindi Int. Comm. Dev. Project | BSF | Grant | 19.10 | 28.03.96 | 30.06.00 | UNOPS | 150.0 (3) | 149.1 | 100 | | | |
| BG 09-UG | UWESO Development Project | BSF | Grant | 17.06 | 06.02.95 | 30.06.99 | UNOPS | 50.0 (4) | 50 | 100 | | | |
| | Sub Total | | | | | | | 530 | 529.0 | - | 46.87 | 43.38 | - |
| | **C. In Preparation** | | | | | | | | | | | | |
| | AAMP | Regular | h.c. | 08-Dec-99 | | | | | | | USD 13.2m (10) | | |
| | NAADS | Regular | h.c. | | | | | | | | | | |
| | Total | | | | | | | 817 | 529.1 | 76 | 79.67 | 50.805 | - |

(1) Date of grant 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) Does not include USD 468 000 Irish Aid for Agricultural component, Kabarole district
(90 Prior to approval of BSF funds IFAD had advanced refundable USD 500 000 bridge financing plus USD 60 000 SOF Grant
(10) To be parallel-financed with AfDB; awaiting Government notification
n.a. not applicable
h.c. highly concessional

# LOGICAL FRAMEWORK

| Narrative summary | Objectively Verifiable Indicators | Means of Verification | Assumptions |
|---|---|---|---|
| **Goal**<br><br>Increased security of rural livelihoods through sustainable improvements in agricultural production and increased commercialization of farming | • % farmers in subsistence, market-oriented and commercial categories changed (to … by …)<br>• % of farm output marketed increased (to … by …)<br>• % rural households below poverty line reduced (to … by …)<br>• % rural households considered food-insecure reduced (to … by …) | National statistics<br><br>Surveys | Political will for progressive devolution and commercialization continues.<br><br>Macroeconomic factors and conditions remain stable and liberal. |
| **Purpose**<br><br>Farmers apply improved farming and farm management practices, and solve technical and marketing problems | • at least x% of farmers in all categories make productivity or efficiency raising changes on their farm, by [date]<br>• at least x% of farmers in all categories have applied on their farms advice received through programme-funded services | Surveys and participatory evaluation – conducted by national M&E unit; or under contract by national consultants, firm or institution | |
| **Outputs**<br><br>1. Appropriate advice and information made available to differentiated categories of farmer in a cost-effective manner | • no. sub-counties have an extension plan in place, approved by farmer representative body<br>• no. sub-counties are contracting out delivery of advisory services<br>• no. sub-counties by:<br>- % farmers in identified categories getting advice<br>- % farmers satisfied with advice<br>- % audited advisory activities assessed as satisfactory<br>- whether unit cost and cost recovery targets are met | Reports from sub-counties, client farmer groups and forums<br><br>Self-assessment from service providers at contract end | Market prices make commercial production profitable for small-scale farmers.<br><br>Infrastructure developed to remove marketing constraints.<br><br>National economic policy continues to favour increase in commercial production. |

| Narrative summary | Objectively Verifiable Indicators | Means of Verification | Assumptions |
|---|---|---|---|
| 2. Appropriate technologies available to meet identified farmer needs | • number of sub-counties where supply of technologies is a constraint on production and adoption reduces<br>• proportion of demand for technologies supplied by the private commercial sector increases | Reports from stakeholder forums, compiled by districts<br>Surveys<br>Farm case studies | (as for Output 1) |
| 3. Quality of advice and information provided by service providers assured | • regulations and standards for service delivery approved and in operation<br>• registration scheme for service providers established and continues to function<br>• x no of technical audits conducted and y% of these are satisfactory or better | Approval by NAADS Board<br><br>Statistics on outcomes of technical audits, compiled by district and submitted to national NAADS Executive | |
| 4. Capacity of private-sector service providers to meet identified farmer advice and information needs sustainably enhanced | • number, and proportion of total, of advisory personnel who are working in the private sector increases<br>• x no. private-sector personnel achieve satisfactory standard in programme-sponsored training | Surveys of service providers<br><br>Training records<br><br>Farm case studies | Funding within contracts is sufficient to enable service providers to deliver contracted outputs. |
| 5. Appropriate institutional structures and capacity to operate the programme effectively, developed at all levels | • NAADS Board established and functions effectively<br>• NAADS HQ/Executive fully staffed<br>• Programme structures and procedures at all levels fully compliant with Local Government Act and regulations<br>• System in place for assembling information on programme resource requirements and presenting budget estimates to the appropriate government department or ministry | Programme progress reports<br><br>Budget estimates | Local government capacity, particularly at sub-county level, continues to be strengthened by Local Government District Development Programme and other projects. |

| Narrative summary | Objectively Verifiable Indicators | Means of Verification | Assumptions |
|---|---|---|---|
| **Inputs**<br><br>**Mobilization and Local Organizational Development**<br>Community mobilization; farmer group and forum support; training; capacity-building<br>Local service provider facilitation; and district/sub-county orientation/support<br>--- *by Executive, contracted inputs; provision of operating funds, resources*<br><br>**Service Contract Provision**<br>Farm advisory services; legal/professional advice; preparation of plans/proposals; Distict/Sub-county agreed interventions; National initiatives; and technical and professional assistance for systems/methods<br>--- *by contractors; funding of direct incremental operating costs*<br><br>**Programme Management**<br>NAADS Executive: establishment, national promotion, direction, communication, systems design/operation; Board activities, legal, accounting;<br>planning, M&E, studies and surveys;<br>National organizations support, liaison and consultation; and limited marketing cost subsidy<br>--- *routine work of Executive, plus specialist contractors/consultants* | Targets filled for materials, vehicles, equipment to be selected, procured on time, supplied and operational<br><br>Systems and methods designed, tested and in practice<br><br>Numbers and types of staff and technical assistance/contractors selected and appointed<br><br>Numbers of training and capacity-building courses/sessions and demonstrations planned and completed, with feedback<br><br>Numbers of plans coming forward from farmer groups and upstream levels, % of approvals, contributions forthcoming<br><br>Numbers and amounts of funds requested, released and committed to service provision, research and technology development | Programme cost and management accounts<br><br>Training institutions and agency records<br>Technical assistance/assignment reports<br><br>Contract and work-in-progress documents for assignments | Beneficiaries continue to be satisfied, enthusiastic and dedicated, and management and contractors continue to work conscientiously.<br><br>Management is sound and record-keeping disciplined and used by all levels of involved personnel.<br><br>Inputs by participating agencies are effective and service providers are sufficient and proficient.<br><br>There is no interference or distortion by external sources, whether local political or national; and effectively conflicting interests or disputes are resolved. |

| **Activities for Output 1:**<br>*Appropriate advice and information made available to differentiated categories of farmers in a cost-effective manner* | **Activities for Output 2:**<br>*Appropriate technologies available in sufficient quantities to meet farmers' identified needs* | **Activities for Output 3:**<br>*Quality of advice and information provided by service providers assured* | **Activities for Output 4:**<br>*Capacity of private-sector service providers to meet identified farmer advice and information needs sustainably enhanced* | **Activities for Output 5:**<br>*Appropriate institutional structures and capacity to operate the programme effectively, developed at all levels* |
|---|---|---|---|---|
| ***(1) Activities at national level***<br>Conduct awareness campaign for all stakeholders<br>Prepare/distribute guidelines on needs assessment, extension planning and development of monitoring indicators<br>Prepare/distribute guidelines on contracting procedures<br><br>***(2) Activities at district level***<br>Technical support to sub-counties on needs assessment, strategy formulation, extension planning, monitoring<br>Advise and support sub-counties in drawing up and supervision of contracts<br>Compile district-level monitoring data<br><br>***(3) Activities at sub-county level***<br>Identify locally relevant farmer categories<br>Assess farmer information and advisory needs<br>Prioritize needs<br>Design extension strategy and plan for meeting priority needs<br>Develop indicators for monitoring<br>Implement and monitor extension plan<br>Supervise contracts and carry out technical audit<br><br>***(4) Activities at local level***<br>(To be specified in extension plan, and in contracts for service delivery) | ***(1) Activities at national level***<br>Issue guidelines on linkages between research outreach and advisory service<br>Prepare and issue guidelines on options for meeting technology development needs and modalities of financial and technical support<br><br>***(2) Activities at district level***<br>Provide specialist backup to technology development via sub-county staff<br>Source/obtain material for multiplication and make it available<br><br>***(3) Activities at sub-county level***<br>From needs assessment, decide appropriate technology focus<br>Develop and implement a procedure for identifying potential link farmers who are representative with regard to client category and location<br>Provide technical support to farmers maintaining sites of trials/demonstrations<br>Assess capacity and needs, and supply appropriate quantities of materials for multiplication<br>Monitor performance, with farmers<br>Promote technology development among farmers and service providers<br><br>***(4) Activities at local/ service delivery level***<br>(To be specified in extension plan and service contracts; at farmer behest may include setting up technology multiplication and demonstration, to sell/distribute planting material to farmers) | ***(1) Activities at national level***<br>Develop and issue standards and regulations for service contracts<br>Develop registration scheme for approved private-sector providers<br><br>***(2) Activities at district level***<br>Maintain register of approved service providers within the district<br>Conduct routine technical audits of service providers<br><br>***(3) Activities at sub-county level***<br>Supervise contracts<br>Compile and act on monitoring data<br><br>***(4) Activities at local level***<br>Service providers keep records of advice given<br>Farmers keep records of advice received | ***(1) Activities at national level***<br>Prepare/issue guidelines for financing of training for private-sector providers (level of subsidy/cost recovery)<br>Identify approved trainers/training institutions for training of private-sector providers under the programme<br>Prepare/issue guidelines on voluntary severance for LC staff wanting to move into private sectors as independent advisers<br><br>***(2) Activities at district level***<br>Identify, and assess capacity of, all potential service providers in the district<br>Identify priority training needs of private-sector providers<br>Commission training to meet identified needs<br><br>***(3) Activities at sub-county level***<br>Identify, and report to district, apparent shortcomings in technical or operational capacity of service providers (so that these can be addressed in future training)<br>Use contract supervision activities as opportunities for giving technical support and advice (on both technical and procedural matters)<br><br>***(4) Activities at service delivery level***<br>(To be specified in extension plan, and in contracts for service delivery: could include a requirement of a contract that service providers make their staff available for specified training) | ***(1) Activities at national level***<br>Identify and approve trainers for institutional strengthening and capacity-building at sub-county and district level<br>Develop and issue guidelines for staffing requirements – numbers, designations, competencies<br><br>***(2) Activities at district level***<br>Assess training needs for sub-county and district staff, in the light of national guidelines and circumstances within the district<br>Commission approved trainers to carry out staff training and development in priority areas.<br><br>***(3) Activities at sub-county level***<br>Establish stakeholder forum<br>Facilitate development/strengthening of farmer organizations<br><br>***(4) Activities at service delivery level***<br>(To be specified in extension plan, and in contracts for service delivery) |

# MONITORING AND EVALUATION INDICATORS

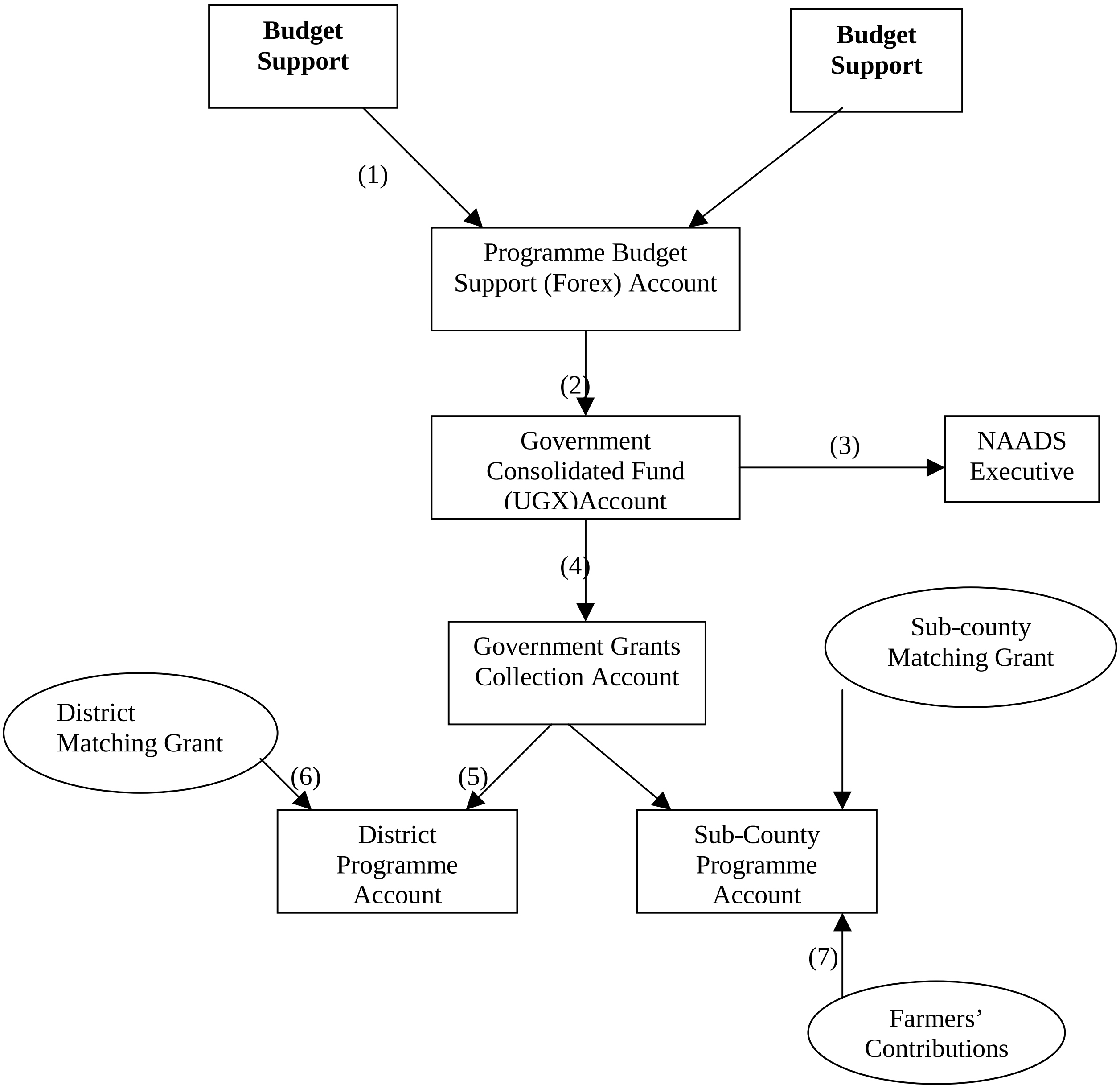
## Stakeholder Analysis: Likely Programme Impact on Stakeholder Interests

| Stakeholder | Likely Effects (+ positive, = unchanged, – negative ) | |
|---|---|---|
| 1. Producers: | | |
| • Commercial, and commercial/market-orientated | =/- | may lose free access to publicly funded extension; but many already have their own arrangements for advice, e.g., purchasing bodies in export crop sector |
| • Market-orientated | + | private (contracted) providers likely to have or develop better understanding of markets; partial cost recovery will ensure greater accountability and responsiveness to clients |
| • market + subsistence | + | |
| • subsistence | + | greater influence, through fora, on extension planning; contracts are likely to be given specifically for provision of services to this sector. |
| Men in farm households | = | |
| Women in farm households | + | specific contracts to deliver advisory service to women can be given |
| 2. **Organizations:** | | |
| Community Organizations | + | greater influence over extension (through stakeholder fora, etc.); some may bid for contracts for service delivery |
| Local NGOs | +/- | loss of public extension staff as subsidized resource; but opportunities to win contracts for service delivery |
| International NGOs | = | |
| 3. **Private Sector**: | | |
| Input dealers/stockists | + | increased sales; improved knowledge (if they are given training to upgrade their performance as channel of information and advice to farmers) |
| Local agro-processors | + | increased/more regular supplies |
| Traders/produce buyers | + | increased/more regular supplies |
| 4. **Local Council Officials and Staff**: | | |
| Elected Local Council members | + | greater democratic influence on service provision |
| Local Council admin./finance staff | - | workload increase from administering many contracts |
| Sub-county extension staff | +/- | loss of job security; but options for jobs in private sector or as independent advisers; new roles for those staying in public sector |
| District extension staff | +/- | some retrenchment; new responsibilities |
| 5. **Others:** | | |
| Universities | + | potential contracts (training, evaluation surveys, specialist service provision) |
| Urban consumers | + | improved food security and stable prices |
| NARO | +/- | Improved linkages, leading to more effective targeting of research; improved uptake of research outputs; but some perceived threat to the outreach role of NARO |
| Donors | + | Improved coordination of approaches; efficiency in development programme through joint/shared roles |

## Proposed Programme National/District Output Indicators

| Outputs | Component/Activity | Indicators | Type |
|---|---|---|---|
| Appropriate advice to farmers, provided by capable private providers | Advisory and information services to farmers | • No. sub-counties with extension plan;<br>• No. sub-counties contracting out advisory services;<br>• No. sub-counties with satisfactory audited activities;<br>• No. private advisors;<br>• Proportion of private advisers in total;<br>• No. private provider trainees achieving satisfying standards in programme-sponsored training;<br>• Total % farmers getting advice in:<br>- Subsistence farmers<br>- Market-oriented farmers<br>- Commercial farmers<br>• Total % farmers satisfied with services, in:<br>- Subsistence farmers<br>- Market-oriented farmers<br>- Commercial farmers | Process and service delivery |
| Appropriate technologies available | Research and technology development | • No. research contracts;<br>• Proportion of research contracts to private providers;<br>• No. sub-county plans including research contracts;<br>• No. audited satisfactory research contracts;<br>• Total % farmers satisfied with services:<br>- Subsistence farmers<br>- Market-oriented farmers<br>- Commercial farmers | Process and service delivery |
| Appropriate and capable structures at all levels, accountable to farmers | Institutional development | • NAADS Board established;<br>• NAADS Executive established and staffed (% staffing level);<br>• No. eligible districts;<br>• No. eligible sub-counties;<br>• No. registered farmers organizations;<br>• No. operational farmers forums at:<br>- District level<br>- Sub-county level<br>• Performance of planning, budgeting and reporting systems | All process |
| Quality, efficiency and effectiveness assured | Programme management and monitoring | • Regulations and standards for service delivery established;<br>• No./proportion districts complying with regulations and standards;<br>• No./proportion sub-counties complying with regulations and standards;<br>• No. service providers registered;<br>• No. technical audits; and<br>• Proportion satisfactory technical audits | All process |

# FLOW OF FUNDS




**Notes**

(1) All donors providing budget support will release funds to the forex account to be managed by the Treasury; releases will be based on a set of triggers.

(2) Funds will be released to the Government's Consolidated Fund account at Bank of Uganda; in trigger for release of funds to consolidated account will be statement of release of counterpart funds from the Government's Consolidated Fund; transfer of funds from the Consolidated account to NAADS Executive and District Grants Collection account should be within a period not exceeding two days after receipt from the forex account.

(3) NAADS Executive will be established with a separate budget vote; the budget vote Holder/Accounting Officer will be the NAADS Board Secretary.

(4) Funds will be disbursed to the Government's Grants Collection account at the district under the Poverty Action Fund Conditional Grant Guidelines.

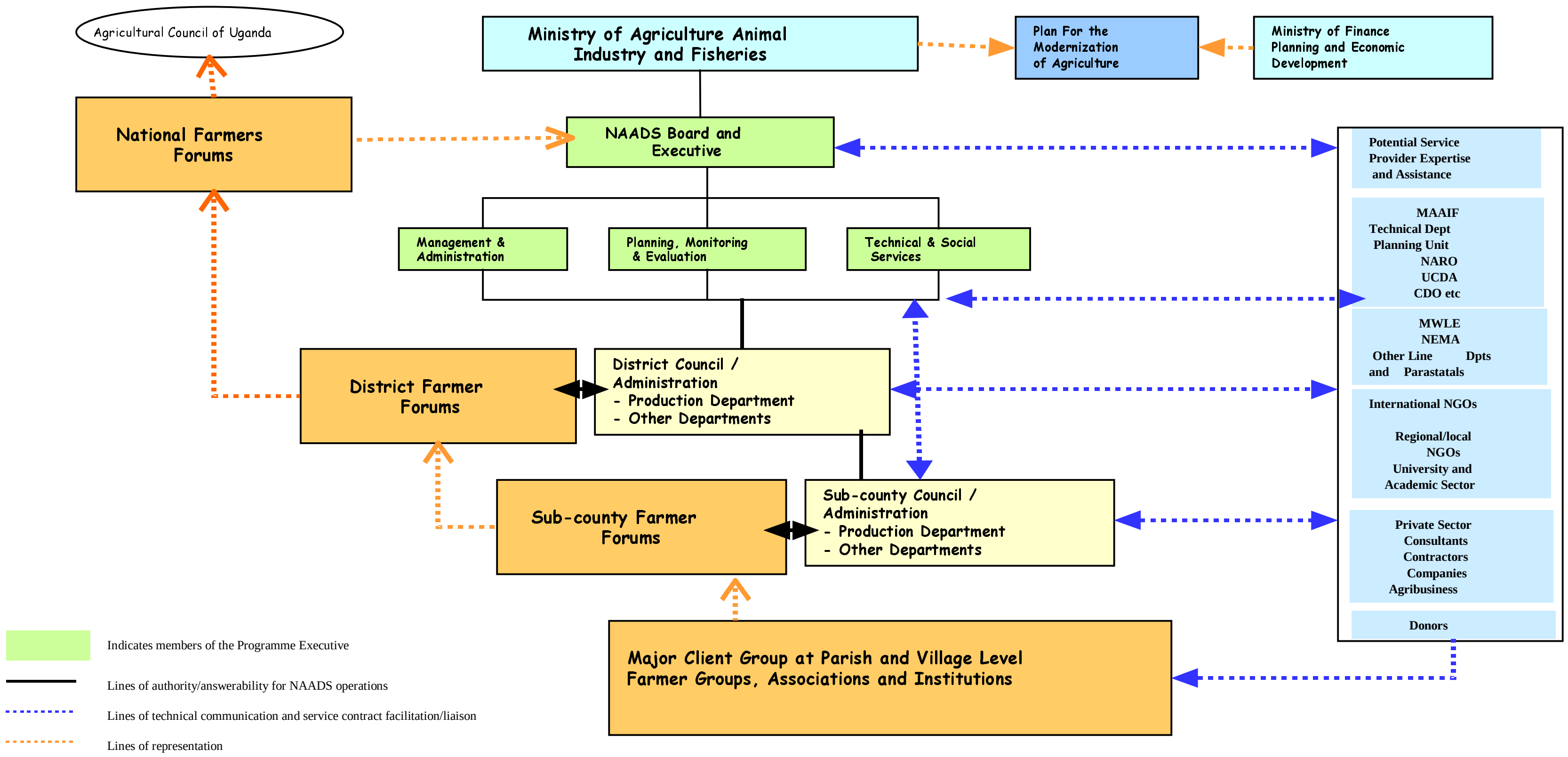
(5) Funds will be disbursed to the sub-county programme account; the trigger for disbursement of funds to sub-county programme account is availability of the sub-county matching grant on the account.

(6) Funds will be disbursed from the collection account to the district programme account within a period not exceeding two days from date of receipt from the Government's Consolidated account; the trigger for disbursement of funds to the district programme account is the availability of the district matching grant on the account.

(7) Farmers' contributions (2% of total annual budget) will be a trigger for disbursement of funds to the sub-county programme account.

# PROGRAMME ORGANIZATION STRUCTURE

National Agricultural Advisory Services Programme Organogram - Staffing Chart




UCDA = Uganda Coffee Development Authority
CDO = Cotton Development Organization
MWLE = Ministry of Water, Lands and Environment

# PROGRAMME IMPLEMENTATION ARRANGEMENTS

## A. Resource Allocation and Targeting

1. The central government programme funds will be allocated to districts based on the consolidated farmer groups workplans and budgets submitted by each sub-county farmer forum to the NAADS Executive and, thence, to MFPED. District funding by MFPED will be modelled on established government processes as used under the LGDP, based on population and land area. The allocations are then subject to annual performance against workplan and accountability criteria, whereby the amount in the following year can be reduced by 20% or, at worst, suspended completely. Presently LGDP funds are augmented by 20% of the calculated allocation to allow districts to maintain and enhance compliance with the Government's Poverty Action Fund eligibility criteria.

2. Initially, ceilings will be determined for the allocation of the central government programme funds to the districts and sub-counties. The criteria for allocating these funds will incorporate: (a) a per unit component based on population and land area; and (b) an allocation based on the district and sub-county socio-economic indicators to ensure that worse-endowed districts and sub-counties are adequately resourced to implement the programme effectively. Sharing of programme funding among the national, district and sub-county levels will use similar criteria of population and land area to those of other projects, but with an element of bias to the poorer areas. The aim will be to distribute programme funds as follows: 10% national; 15% district; and 75% sub-county and lower-tier administrative set-up.

3. Women are the majority small-scale farmers and have distinct roles that demand specific attention to their farming activities and incentives. Despite a favourable policy environment, women farmers face a variety of gender-based constraints. Compared with men, women farmers have limited access to extension and advisory services, among others; and limited access to other productive resources, including education and literacy. These constraints have exacerbated women's predicament and caused them generally to become underperformers in economic activities.

4. The transformation of advisory service provision in the programme will depend to a large degree on the greater involvement of women. Integrating gender-responsive strategies and targeting mechanisms will have significant pay-off in efficiency, sustainability and equality. Key strategies to enable gender-responsive services will be: (a) in institutional development: (i) increasing awareness of stakeholders about gender roles in agriculture, as an analytical and practical concept in advisory services; (ii) training on gender analytical tools; and (iii) appointment of a Community Development Manager with substantive gender and poverty experience, who will be a key member of the NAADS Executive; and (b) to ensure that: (i) the planning and output of advisory services are based on gender-responsive information and communication strategies; (ii) contact with women farmers is increased; (iii) quality of advisory services is improved; and (iv) M&E activities address the outputs, outcomes and benefits based on both participatory and gender-sensitive analytical mechanisms.

5. Given that gender mainstreaming is one of the unexplored factors in increasing agricultural productivity and production in Uganda, the guiding principles behind these strategies will be: (a) learning by doing, adjusting and building capacity during implementation; (b) encouraging use of personnel trained and competent in gender analysis; (c) drawing on best national and international practices; and (d) optimizing use of the existing resource base of research findings, national and sectoral studies, as well as other relevant information.

6. To reach women and the poorest, some of the methods will include packaging and designing of services and inputs that are accessible and suitable for them; testing voucher programmes to facilitate and deepen access; using M&E to regularly ask the target groups what their needs are, and then designing and adjusting services and inputs to suit them; making special efforts to incorporate women's concerns in research and technology development actions; and using a graduated fee system for the various categories of farmers.

### B. Minimum Conditions for District/Sub-county Selection

7. Much as it might be desirable to start the programme on a large-scale, this would overstretch capacities at all levels and jeopardize programme efficiency and effectiveness. Hence, districts and sub-counties will be covered in phases. NAADS Executive will identify eligible districts based on meeting stipulated programme criteria. The minimum conditions for programme eligibility will be as follows:

- Conditions/criteria already set by the Government for all districts and sub-counties under the Poverty Action Fund (and based on the UNCDF-assisted district Development Project and the World Bank-assisted LGDP: (a) existence of a three–year rolling development/investment plan approved by the District Council; (b) an annual budget approved by the District Council, containing investment to be made and a below budget line for sub-county investments; (c) capable functional staff in post in the Finance and Production Departments, the Planning Unit and the Internal Audit Section, or a clear commitment is made to outsource, through private contract or hire arrangements, the skills to undertake core programme functions at village and sub-county levels, technical audit of service providers, supervision of contracts, and the facilitating of farmer groups in specifying and prioritizing advisory service needs; (d) district and sub-county counterpart contributions to cost in place; (e) relevant special accounts established and operational; (f) existence of functional District Technical Planning and Sub-county Development and Investment Committees; (g) formal legal agreement made between the district and MOLG for operation of the programme; (h) recent and current budget and financial accountability reports available;

- Programme-specific additional conditions/criteria: (a) district-specific plan for the modernization of agriculture, articulating the district vision and mission, is in place, as a rationale for resource commitment for agricultural transformation; (b) verified reports available for current and recent years covering activities and work programmes targeting agricultural development and modernization, indicating performance, variance against targets, reasons for variance and corrective actions taken or proposed; (c) willingness to transfer existing advisory services field staff to the private sector; and (d) willingness to institutionalize farmer empowerment formally as articulated in the proposed NAADS Organization Act in particular the sub-county and district farmer forums that, under the Act, will have the power to determine and manage the allocations of programme resources.

8. All the conditions and criteria enumerated above together constitute the programme's minimum conditions. Those districts and sub-counties that do not meet the criteria will be able to gain provisional acceptance while being assisted to achieve the compliance standards through the ongoing LGDP initiatives, supplemented by programme activities.

## C. Roles and Responsibilities of the Various Executing Agencies for the Programme

| Executing Agencies | Roles and Responsibilities |
|---|---|
| MAAIF | Overall national responsibility for the programme with oversight by MFPED, through the existing Poverty Action Fund and PMA structures. |
| NAADS Board | • advise and give guidance on programme policy and strategy issues;<br>• facilitate, supervise and support NAADS Executive; and<br>• have specific tasks to address programme issues, assist in promotion and trouble-shoot problems. |
| NAADS Executive | • form the programme management;<br>• overall planning, technical guidance and operational oversight;<br>• perform catalytic and promotional functions in advancing programme coverage and impact;<br>• promote and organize private-sector involvement in activity implementation;<br>• support districts to provide technical support to sub-counties, farmer forums and farmers groups, and monitor, report and account for use of funds;<br>• ensure quality and cost-effective use of resources;<br>• provide periodic progress reports to the Government/donors as required in the guidelines;<br>• generally provide facilitation, advisory and consultation support to the programme; and<br>• ensure that its counterpart contribution to programme activities is budgeted and secured. |
| District Local Governments | • assign a senior staff member (preferably head of the Production Department) as programme coordinator;<br>• through the district technical planning committee the district would:<br>- receive and review all reports, including M&E studies;<br>- supervise expenditures and receive and submit for audit all accounts;<br>- with assistance of the relevant district statutory bodies, assist the sub-counties and farmer forums in the tendering process and review of programme procurements;<br>- ensure timely preparation of consolidated workplans, budgets, reports and accounts; and<br>- generally supervise programme implementation. |
| Sub-county Local Governments | • serve as the closest formal institutions to the grass-roots advisory services and clients;<br>• will be concerned with planning, budgeting and monitoring of activities;<br>• record and account for service provision and operations;<br>• in conjunction with farmer forums, will be responsible for promulgation and subsequent management of the programme interventions at sub-county level;<br>• carry forward any regulatory obligations and functions for advisory service operations and ensure that benefits and cost-effectiveness are optimized; and<br>• monitor and report progress. |
| Farmer Groups/Farmer Forums | |
| • Farmer groups<br><br>• Farmer forums | • serve as the prime clients of the advisory services;<br>• formulate demands and needs for advisory services; and<br>• secure markets for their outputs.<br>• assist farmers groups to plan, cost and contract out services;<br>• monitor and evaluate progress of planned activities;<br>• review sub-county plans for agricultural development;<br>• evaluate performance of advisors and service providers;<br>• advise production/development committees relating to contract service, resource allocation and prioritization of services delivered; and<br>• act as feedbacks between different farmer forums. |
| Service Providers | • carry out service contracts;<br>• provide consultancy services (e.g., monitoring, advisory and information service, research and technology, etc.); and<br>• carry out training and sensitization and production of relevant materials/documents. |

### D. Farmer Groups and Forums and Participation in the Programme

9. Farmer institutions of all kinds, from small village groups up to the National Farmers Forum, will be cardinal elements of the programme, and their effectiveness will be the principal determinant of programme and PMA success. Their main forms and roles will be as follows: (a) **Farmer groups** will be the nuclear, grassroots programme institutions. The purpose of formation of farmer groups is to create institutions where farmers can organize themselves and formulate their demands and needs for advisory services. The groups will work with their service providers to assure supplies of those inputs and services and secure markets for their output. The programme will set certain minimum requirements and conditions for recognizing farmer groups; and (b) **Farmer forums** will be the main institutional structures for increasing participation of farmers in advisory activities. Initially farmer forums will be formed by an open and transparent elective process among farmer groups and associations at sub-county, district and national levels. The programme will initiate and foster the formation and support of the forums using both local community development staff from the sub-county and district, as well as change agents and specialist service providers as professional advisers, as appropriate. Forums will have generic terms of reference developed, which may be amended to suit site-specific circumstances and will include:

a) assistance to groups in planning, costing and contracting services, and determining resource allocations and priorities;
b) contracting of service providers;
c) M&E of progress of planned advisory activities;
d) evaluation of performance of advisers and service providers;
e) review of local government plans for agricultural development;
f) feedback and feed-forward among forums at different levels; and
g) at national level, provision of the farmer element of NAADS Board membership.

10. There are two main ways in which individual farmers can participate in the programme: (a) as registered members of a farmer institution that is a named party to a service contract; and (b) as residents of a village, parish or sub-county where a service provider has a contract with the sub-county to provide advisory services to all farmers who seek advisory services in a specified area and/or farmer category. Criteria for participation of farmer groups and institutions in the programme principally concern the need for any group or institution wishing to be a named client in a service provision contract to be registered under the proposed NAADS Organization Act. Each farmer will be expected to pay a small registration fee to the programme.

11. For a farmer group or institution to be represented on the sub-county farmers forum, it should have: (a) a defined membership of individuals or households who are engaged in agriculture-related activities and are contributing either in cash or in kind to group activities and existence; (b) objectives that include aspects related to agriculture and livelihoods; and (c) democratically elected leaders. For a farmers forum to be recognized as a representative body of farmers for programme purposes within the sub-county, it should be: (a) made up of representatives of farmer groups or institutions; and (b) be composed of at least 30% of women's groups, 20% youth groups and 5% groups of persons with disabilities.

### E. Service Providers and Programme Eligibility Criteria

12. Service providers may be individuals, small groups of advisers, consultancy and professional companies, parastatal agencies, academic institutions or commercial companies. The Interim NAADS Secretariat will be required to organize a survey to ascertain the level of existing coverage. It will be a major preoccupation of the programme to foster development of the service provider sector. The main role of these agencies will be to arrange and perform the advisory, research and development services in response to the demands of farmers, sub-counties, districts and the NAADS Executive. Agricultural

trading, input supply and produce marketing, storage, processing and manufacturing organizations will also be important contributors.

13. The services to be provided will be solicited and contracts arranged at the request of the eligible beneficiaries and beneficiary institutions, notably including: (a) farmers and their representative groups and associations; (b) Sub-County Councils and administrations, and farmer forums for approved sub-county-wide interventions; (c) district councils and administrations, and farmer forums for district-wide interventions; and (d) NAADS Board and Executive for national or agreed thematic interventions.

14. Potential service providers will be required to meet a set of professional standards based on sound knowledge of and, preferably, proven experience in one or more of the following: (a) use of participatory methods in community and farmer group mobilization, needs assessment, planning, M&E, including use of social targeting and strata analysis methods and gender expertise; (b) work planning and budgeting; (c) application of learning – learning-by-doing – in service delivery based on farmers' experience and in response to their needs and priorities; (d) building capacity of selected community members to act as local experts in various agricultural and organizational skills; (e) facilitating the interaction between the community and other support services; and (f) training in community group, farm and enterprise management. Contracts for service provision will be either by agreement between the parties, bound by a satisfactory legal memorandum of agreement; or by competitive and commercial tender, ratified by a formal legal contract that meets the designated standard and format accepted by the programme; and with appropriate terms of payment (and penalties for shortfall) related to performance.

## F. Legal Framework

15. To successfully implement the programme, three legal and regulatory issues need to be resolved:

(a) Establishment of the NAADS Board and Executive as a statutory parastatal organization. This requires drafting and approval of parliamentary legislation;

(b) Recognition and registration of farmer institutions. A key step towards farmer empowerment is to have farmer groups and their representative organizations, the proposed farmer forums at the sub-county, district and national levels, legally recognized. In this way, farmer institutions will be empowered to manage programme funds and to contract service providers; and

(c) Tendering and contracting. Under the programme it is envisaged that contracting of service providers will be undertaken mainly at sub-county level with decisive involvement of farmer representatives. Service contracts at sub-county level could amount to USD 50 000 annually. However, existing district and sub-county tendering and contracting procedures do not allow for sufficient farmer control over the award of bids from service providers. For instance, the current procurement ceilings of UGX 1 million (roughly USD 600) for works and UGX 0.5 million (USD 300) for goods and services are inadequate for programme purposes.

16. Rather than attempt piecemeal amendments of various existing laws and regulations (which would have implications for other sectors), a NAADS Organization Bill has been drafted that will resolve all three above legal issues. With respect to the first two issues, the draft NAADS Bill defines and provides for the establishment of the NAADS Board and Secretariat, farmer forums at the national, district and sub-county levels, as well as the registration of individual farmers and farmer groups. As defined in the draft Bill, the farmer forums at the sub-county and district levels will legally

institutionalize a partnership between local government and farmers' representatives in managing and determining the allocation of programme resources, as well as in the contracting of service providers. The Bill also defines the membership and functions of the farmer forums. With regard to the third legal/regulatory issue (c) reflecting the contracting of service providers, the sub-county and district farmer forums will become the tender committees at their respective levels under the NAADS Act. The Minister of MAAIF will have the authority to determine and vary the regulations relating to the Act, including programme-specific procurement ceilings at each level.

17. It follows that the proposed NAADS Organization Bill is critical to the establishment of programme institutions at all levels, to the adoption by the Government and donors of common financial management and procurement procedures, as well as to the empowerment of farmers to determine the allocation of programme resources and their choices of service providers. Enactment of the NAADS legislation, which could be completed by 1 January 2001, is subject to the following process: (a) Minister of MAAIF approves decision to proceed with the legal advisers proposal; (b) preparation of cabinet paper; (c) discussion and adoption of the proposal by the Cabinet; (d) review of draft Bill by the First Parliamentary Council; (e) first reading of the Bill by Parliament and referral to the Committee on Agriculture; (f) second reading, full debate and passing of the Bill by Parliament; and (g) NAADS Organization Act signed into law by the President and published.

## G. Transition and Trailblazing Period

18. **Establishment of interim secretariat**. Launching of the programme is targeted for January 2001. Pending enactment of the NAADS Organization Bill, the Government will establish a NAADS Interim Secretariat and a steering committee. Staff for the Interim Secretariat will be competitively recruited at market rates on fixed-term contracts. The staffing will be in accordance with the proposals for the statutory NAADS Executive. Each staff member will be given a six-month probationary period, followed by renewable two-year contracts. Appointments to the interim steering committee by the Minister of MAAIF will reflect the stakeholder representation proposed for the statutory NAADS Board. Whereas the staff of the Interim Secretariat will continue once the NAADS Executive becomes legally recognized as a parastatal, appointments of farmer representatives to the NAADS Board will change in accordance with the bottom-up nominations made through the sub-county and district farmer forums.

19. **Trailblazing**. Over a period of two years, different working arrangements will be tested, building from an initial six districts and 12 sub-counties (two from each district) and adding districts and sub-counties at a pace to be determined by experience and performance. In particular, the following will be tested: (a) contracting modalities: direct contracting between a farmer forum/farmer group and a service provider; direct contracting between a farmer forum/farmer group/sub-county government and a service provider; and direct contracting between a farmer forum/farmer group/district government and a service provider; (b) access by advisers to high-quality technical information; (c) capacity-building for advisers in technical areas, including effective use of information and communication technologies; (d) options for forming farmer forums: making use of existing farmers' interest groups at community level; and working in sub-counties where no or few farmers' interest groups exist; and (e) mechanisms and tools to ensure inclusion of the poor, women and other vulnerable groups.

20. Trailblazing districts and sub-counties will be chosen according to criteria designed to reflect variety with respect to the nature of the local agricultural economy and agro-ecological zonation. Selection criteria will include compliance with the programme's stipulated criteria, especially with respect to financial management and reporting capacity. In particular, in compliance with PMA principles, programme support will be contingent on districts' agreeing to privatize the delivery of advisory services in the participating sub-counties. Existing government advisory staff located at the

sub-county level will be given six months notice. The programme will finance the severance entitlements, as well as the orientation and capacity-building for the affected staff to facilitate their transition to the private sector. During the notice period, the affected government staff may be co-opted by the service providers that will be competitively contracted for start-up activities and the delivery of technical assistance to farmer groups. After the notice period, the affected staff will be free to seek employment with existing private service providers, or to organize themselves as potential service providers. To avoid inconsistencies with PMA principles and to minimize the cost of privatization, further recruitment of public extension workers will cease, even in districts not yet participating in the programme.

### H. Requirements and Triggers for Fund Commitment and Releases

21. **Donors to Government**. Decisions by financing partners to commit and release funds in support of the programme will be based on joint assessment of previously agreed indicators of progress in overall programme implementation – trigger indicators. In the first place, there will be a set of agreed basic principles, with which the compliance will be continuously monitored. Among the key principles are: (a) preparation by the Government of a list of eligible districts and sub-counties, on an annual basis (in October of each year for the following budget year and confirmed in April of each year); (b) preparation by the Government of an agreed set of criteria for programme resource allocations (in October each year); a preliminary set of such criteria has been prepared and will be revised from time to time to take account of the progress made on issues related to intergovernmental fiscal transfers (including further development of criteria for equalization grants, expansion of the non-sectoral grant system); (c) preparation by the Government of a revised multi-annual financing plan for the programme (in October of each year) as the start-up of ceilings and in April of each year with the preliminary draft annual budget the next year; (d) statement of thresholds/ceilings on expenditure for various categories/activities (in October of each year) and monitoring of compliance with these (in April of each year, including the requirement that 75% of all programme public funding must be allocated/spent on contracts for advisory services to farmers); (e) statement of matching contributions by local governments (in October of each year) and monitoring of compliance with these (in April of each year); and (f) strategy to create eligibility in districts that are not yet eligible to access programme funds.

22. In addition, there will be an agreed set of maximum national-level output indicators and annual targets. Progress against these targets will be jointly monitored on an annual basis (in April). An indicative list of such indicators is attached. Furthermore, the Government and donors will regularly agree on a limited set of key undertakings that will need to be met by each six-monthly assessment (including key policy and financial commitments to be taken by the Government for successful programme implementation, specific programme design modalities, and/or studies to be completed and implementation of agreed reporting systems).The elements mentioned above relating to basic principles, national-level output indicators and targets will normally pertain to accessing funds from all donors involved in programme budget support, although there may be a few additional conditions specific to individual donors – a situation to be minimized over time. For inflow and outflow programming purposes, the Government has established a formal mechanism linking the six-monthly government/donor joint assessment of trigger indicators and timing of donor fund releases.

23. The Government and donors are both major stakeholders in overall M&E of the programme, especially relating to the assessment of policy compliance and cost-effectiveness of programme implementation. Government and donors discussions and funding decisions need to be informed by thorough analytical and objective assessments of the progress made on all aspects of programme implementation. In line with the practice followed in an increasing number of cases (sectors and countries), the Government and donors will jointly commission annual independent external reviews of programme implementation. This will allow separating the analytical stage (joint review mission) from the discussion and negotiation stage (annual review meeting).

24. The organization of the annual independent joint review mission will be a joint responsibility of MAAIF (in collaboration with MFPEDD) and the budget support donors group. The Government and donors will rely on a single team incorporating all of the relevant disciplines, working to agreed terms of reference and tasked to review the programme, make recommendations and highlight focal issues for discussion and/or for increased attention for further review missions. The review team will also assess the extent to which basic principles are being followed and undertakings are being met. The assessment will also cover the functioning of the national-level executive structure (the NAADS Board and Executive).

**INDICATIVE NATIONAL/DISTRICT PROGRAMME OUTPUT INDICATORS**

| Outputs | Programmes | Indicators | Type |
|---|---|---|---|
| Appropriate advice to farmers provided by capable private providers | Advisory and information services to farmers | • No. sub-counties with extension plan;<br>• No. sub-counties contracting out advisory services;<br>• No. sub-counties with satisfactory audited activities;<br>• No. private advisors;<br>• Proportion of private advisers in total;<br>• No. private provider trainees achieving satisfying standards in programme-sponsored training;<br>• Total % farmers getting advice:<br>– Subsistance farmers<br>– Market-oriented farmers<br>– Commercial farmers<br>• Total % farmers satisfied with services:<br>– Subsistance farmers<br>– Market-oriented farmers<br>– Commercial farmers | Process and service delivery |
| Appropriate technologies available | Research and technology development | • No. research contracts;<br>• Proportion of research contracts to private providers;<br>• No. sub-counties plans including research contracts;<br>• No. audited satisfactory research contracts;<br>• Total % farmers satisfied with services:<br>– Subsistance farmers<br>– Market-oriented farmers<br>– Commercial farmers | Process and service delivery |
| Appropriate and capable structures at all levels, accountable to farmers | Institutional development | • NAADS Board and Executive established and staffed (% staffing level);<br>• No. eligible districts;<br>• No. eligible sub-counties;<br>• No. registered farmer organizations;<br>• No. operational farmer fora at:<br>– District level<br>– Sub-county level<br>• Performance of planning, budgeting and reporting systems; | All process |
| Quality, efficiency and effectiveness assured | Programme management and monitoring | • Regulations and standards for service delivery established;<br>• No./proportion districts complying with regulations and standards;<br>• No./ proportion sub-counties complying with regulations and standards;<br>• No. service providers registered;<br>• No. technical audits;<br>• Proportion satisfactory technical audits. | All process |

There is a need to distinguish ‘process output indicators’ (i.e., measuring progress in the strengthening of the programme approach and systems) from ‘service delivery output indicators’ (i.e., measuring the benefits for the end-users).

25. **Central to local governments**. In line with Poverty Action Fund guidelines, all reports prepared by programme-implementing agencies will integrate financial information and performance progress reporting. This will simultaneously address accountability concerns from donors and provide the basis for adequate M&E of progress in programme priority activities. In order to receive further funding for programme workplan implementation, the eligible districts and the NAADS Executive will need to prepare and submit three documents, namely: (a) a quarterly progress report; (b) a cumulative progress report; and (c) a quarterly budget request.

26. At district level, the reports will be based on summary information submitted by the sub-counties, also on a quarterly basis. The Chief Administrative Officer and the head of the district Production Department (who will be responsible for administering programme grants) will sign all district reports. At both district and sub-county levels, farmers representative organizations such as the Uganda National Farmers’ Association will receive copies of all quarterly reports. Reports from the districts will be submitted to the NAADS Executive, copying to the director of budget, MFPED.

27. All financial and performance progress reports will be submitted on/or before the last working day of the first month after the close of the quarter. Release of further funds will be conditional on the receipt of the three reports. Before a decision is made on releasing funds, the NAADS Executive will analyse the district reports and advice MFPED on the amount to be released. To take account of the delay caused by the preparation and analysis of quarterly reports, releases will be twice a quarter: (a) month 1 of the quarter: 1/12$^{th}$ of the annual budget to cover implementation in the month within which the reports are being compiled; and (b) month 2 of the quarter: the amount requested, less 1/12$^{th}$ of the budget (already released in the first month). The NAADS Executive will also prepare integrated quarterly reports, aggregating information on national-level activities and on district workplans. The aggregated quarterly report will be submitted in time for the Poverty Action Fund quarterly meeting.