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Enabling poor rural people
to overcome poverty

Republic of Uganda

Interim evaluation

Executive summary of the Vegetable Oil Development Project

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For: **Review**

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Abbreviations and acronyms

DAO	District Agricultural Office/Officer
FFBs	fresh fruit bunches
IOE	IFAD Office of Evaluation
KOPGT	Kalangala Oil Palm Growers Trust
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
NARO	National Agricultural Research Organisation
NEMA	National Environmental Management Authority
OPUL	Oil Palm Uganda Limited
OSSUP	Oilseed Subsector Platform
PCO	project coordination office
PMA	Plan for the Modernization of Agriculture
PPP	public-private partnership
R&D	research and development
UNBS	Uganda National Bureau of Standards
UNOPS	United Nations Office for Project Services
UOSPA	Uganda Oilseeds Producers and Processors Association
VODC	Vegetable Oil Development Council
VODP	Vegetable Oil Development Project

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Interim evaluation

Vegetable Oil Development Project

Executive summary

I. Introduction

A. Country background

1. Uganda achieved high rates of growth during the 1990s as a result of the implementation of the Government of Uganda's Economic Recovery Programme,¹ macroeconomic stabilization, structural reform and buoyancy in the coffee export market. These rates have been maintained since 2000, with high inflows of foreign direct investment and official development assistance. As a result of its impressive growth and strong pro-poor policies, poverty declined from 56 per cent in 1992 to 31 per cent in 2005.² Human development indicators improved markedly during this period. The Human Development Index, which incorporates life expectancy and adult literacy along with gross domestic product per capita, rose from 0.272 in 1995 to 0.581 in 2005.³ However, Uganda is still a poor country with a low per capita gross domestic product (GDP), a predominantly rural population (where most of the poverty is concentrated) and a high dependence on development assistance. Official development assistance accounts for about 50 per cent of the national budget.⁴ Additional challenges include its landlocked position and vulnerability to events in neighbouring countries such as past conflicts in the Democratic Republic of the Congo and Rwanda.
2. Agriculture remains a key sector although its share of GDP⁵ and its growth rate⁶ have been declining since 2000. In 2007, agriculture accounted for 50 per cent of exports and over 70 per cent of the labour force. In large parts of the country, it provides the main source of livelihood. Ugandan agriculture is typically portrayed as dominated by small-scale subsistence farming and rangeland herding; however, there has been a rising commercialization of smallholder production and growth in non-traditional agricultural exports, particularly fish, and cut flowers. Uganda is well endowed for agricultural production, with two rainy seasons per year⁷ and relatively fertile soils, but there are regional variations in these endowments. Agriculture is vulnerable to drought and floods.⁸ Food security remains a concern in drought-prone areas.
3. The scope for growth and poverty reduction in the northern region has been much less than elsewhere due to adverse climatic conditions, insurgency and insecurity. Already less well endowed in terms of climate and soils, the region has been

¹ In 1987, following a period of turbulence, the Government embarked on an economic recovery programme aimed at restoring fiscal discipline, rehabilitating infrastructure and boosting export earnings. Investment incentives were increased and the exchange rate system reformed.

² IFAD Rural Poverty Portal: Uganda.

³ Uganda Human Development Report. United Nations Development Programme (UNDP), 2007.

⁴ According to the World Bank, official development assistance to Uganda in 2008 was US\$1.66 billion. The national budget for fiscal year 2009/2010 is 7 trillion Ugandan shillings (around US\$3.24 billion). Therefore the share would be roughly 50 per cent.

⁵ Average agriculture share of GDP 2002-2007: 23.4 per cent, Uganda Bureau of Statistics, 2008.

⁶ Average annual agriculture growth rate 2002-2007: 1 per cent, Uganda Bureau of Statistics, 2008.

⁷ From March to May and October to November.

⁸ In the north and eastern regions of Uganda, one third of annual weather records between 1946 and 1999 show either drought or floods, i.e. such events occurred every three years on average. First National Communication for Uganda, United Nations Framework Convention on Climate Change, October 2002.

affected over the last 20 or so years by an insurgency led by the Lords Resistance Army. Directly or indirectly, it is estimated that about two fifths of all districts and a third of the total population were affected. Since the signing of a cessation of hostilities agreement in August 2006, peace has been gradually restored in the area.

4. Throughout the Vegetable Oil Development Project (VODP) period (1998-2010), the policy environment has been focused on growth, poverty reduction and agricultural modernization, with an increased role for the private sector. Since 1998, the Poverty Eradication Action Plan has provided the main national planning framework for the Government.⁹ Within that framework, the Plan for the Modernization of Agriculture (PMA) was launched in 2001. The vision of the PMA is poverty eradication through a profitable, competitive, sustainable and dynamic agricultural and agro-industrial sector. Decentralization has given greater authority and responsibility for service delivery to district local governments.
5. **IFAD operations in Uganda.** Since the beginning of its operations, IFAD has financed 12 projects in Uganda for a total loan amount of US\$230.5 million.¹⁰ During the VODP implementation period, the Uganda portfolio has been guided by two country strategic opportunities papers, approved in 1998 and 2004 respectively.¹¹ Since 1990, IFAD's support to Uganda has focused on three areas: improving agricultural technologies to help farmers move from subsistence to market-oriented production, promoting the decentralization process to strengthen local government and improve rural infrastructure, and supporting rural financial services.

B. The project

6. The goal of the VODP was to increase household cash income among smallholders by revitalizing and increasing domestic vegetable oil production. The objectives were to (i) develop a palm oil industry, which is well integrated into the subsector, to the benefit of smallholder growers and private sector processors, and (ii) optimize yields and oil extraction technology for sunflower and other arable oil crops.¹²
7. The original project design of VODP had three components:
 - (a) **Oil palm development.** A total planted area of 4,500 hectares (ha) was initially planned, made up of a nucleus estate of 1,000 ha of oil palm on Bugala Island, Kalangala District and 3,500 ha for oil palm development by smallholders. After failed negotiations with the original private-sector investor, this component was redesigned between 2000 and 2003 as part of the negotiations with a new private-sector investor, BIDCO Oil Refineries Limited.¹³ As a result, the nucleus estate was to be increased to 6,500 ha, while the 3,500 ha for smallholder development was maintained, bringing the total area planted to 10,000 ha.
 - (b) **Subsector development.** As a first element, a vegetable oil development fund was to support traditional vegetable oilseed production and processing by farmers' groups in the north, north-east and mid-west of Uganda; the main crops were sunflower, soybean, groundnuts and sesame. A second

⁹ The Poverty Eradication Action Plan provides an overarching framework to guide public action to eradicate poverty. Its long-term strategic objectives include: reduced income poverty and inequality, improved human development and increased GDP growth. It is framed around five pillars, namely, economic management; production, competitiveness and incomes; security, conflict resolution and disaster management; good governance; and human development.

¹⁰ IFAD Rural Poverty Portal: Uganda.

¹¹ The most recent country strategic opportunities paper was considered by the IFAD Executive Board in September 2004 and a third is currently being developed.

¹² President's Report 1997, appendix III, logical framework.

¹³ BIDCO Oil Refineries Limited (Kenya) is the main private-sector partner; its executing agency for plantation development is Oil Palm Uganda Limited (OPUL).

element was to promote research and development (R&D) of essential oil crops.¹⁴

- (c) **Institutional support.** This included the project coordination office (PCO); a newly established Vegetable Oil Development Council (VODC) to steer the PCO and promote the subsector; various institutes of the National Agricultural Research Organisation (NARO)¹⁵ to enhance adaptive research into various vegetable oil crops; the National Environmental Management Authority (NEMA) for environmental management of oil palm production and processing; the establishment of the Kalangala Oil Palm Growers Trust (KOPGT); and the Uganda National Bureau of Standards (UNBS) to develop quality standards for vegetable oils.
8. The oil palm development, for the production of cooking oil, has focused on Bugala Island in Kalangala District on Lake Victoria.¹⁶ The predominant economic activity is fishing, but there are an estimated 1,300 smallholder farms scattered across the island. At appraisal, the target group consisted of subsistence and landless farm families on the island.¹⁷ The support for traditional oilseed production, also for cooking oil, started in six pilot districts in the north and north-east of Uganda and extended to eight neighbouring districts in 2002.¹⁸ The target group consisted of poor smallholder farmers, particularly women, growing sunflower for direct sale to millers or for crushing with a ram press. The essential oil activities, for the production of extracted scented oils used as fragrances for soaps, etc., was trialled in a variety of districts and no target group or geographical area was specified for the purpose.
9. **Time frame.** The VODP was approved by the IFAD Executive Board in April 1997 and the loan became effective in July 1998. Activities in the traditional oilseed and essential oil subprojects got under way quickly but implementation of the oil palm subproject only began in July 2003 because of delays in securing the private-sector partner.¹⁹ An agreement could not be reached with the top-ranked bidder. In 2000, the second-ranked bidder, BIDCO, signed a memorandum of understanding outlining broad areas of agreement including required changes in design, such as a sixfold increase in the nucleus estate. These changes took until 2003 to negotiate. This initial delay had implications for the activities related to palm oil. There were further delays in acquiring land for the nucleus estate, in attracting smallholders and outgrowers (see paragraph 21) to the project, and in establishing the KOPGT. Planting on smallholder farms began in 2006; harvesting of fresh fruit bunches (FFBs) only commenced in early 2010. Originally planned as an eight-year project, VODP has been extended from its original completion date of December 2005 to December 2011, by which time the project will have been under implementation for more than 13 years.
10. **Project costs.** Originally, the total cost was estimated to be US\$60 million, consisting of an IFAD loan of US\$20 million, US\$33.1 million in cofinancing from

¹⁴ The traditional oilseeds supported by VODP are all edible oils such as sunflower. Essential oils are the extracted oil of plants that have a distinctive scent, or essence, of the plant. Examples include citronella and lemongrass.

¹⁵ NARO is a semi-autonomous organization responsible for agricultural research carried out at a number of specialized research stations and institutes in different parts of the country.

¹⁶ It has a total land area of 29,650 ha and a population of 17,355.

¹⁷ The appraisal mentions a target of 3,000 farmers, including relocated landless farmers from the mainland and spontaneous farmers who would grow oil palm with their own resources. At present there are no farmers in either of these two categories. The 3,000 figure was clearly an overestimate given data on the total population. VODP Appraisal Report 1997, vol. I, p. 17.

¹⁸ In that year, these 14 districts had a rural population of 5.4 million (approximately 835,000 households). The 14 districts consist of pilot districts: Apac, Lira, Pallisa, Soroti, Kumi, Katakwi; expansion districts: Mbale, Masindi, Gulu, Pader, Sironko; Kitgum, Kapchorwa, Kaberamaido.

¹⁹ The Government of Uganda-BIDCO agreement was signed in April 2003 and disbursement effectiveness for this subproject was declared in July 2003.

private-sector investors, US\$3.8 million from the Government and US\$3.1 million from beneficiaries. However, the scale of the oil palm subproject was later increased to ensure its financial and economic viability. The private investor and the Government increased their contributions to US\$120 million and US\$12 million respectively, bringing the new total project cost to around US\$156 million.

II. Evaluation objectives, methodology and process

11. It was necessary to undertake this interim evaluation because the Government requested IFAD to consider financing a second phase of the VODP.²⁰ As the Government and IFAD desired to move from VODP to a second phase seamlessly, to ensure continuation of implementation without disrupting project activities, it was requested that the evaluation take place in 2009, before the project was expected to close.
12. The objectives of the interim evaluation were to: (i) assess the performance and impact of the project; and (ii) generate findings and recommendations to guide the Government and IFAD in financing a follow-on project.
13. The evaluation did not assess the project components as described in paragraph 7. The evaluation team found that this original three-component design did not coherently represent the different elements of the project and did not reflect the actual project structure in practice. During implementation, the project has focused on the three sets of crops, each with different objectives, target groups, modes of implementation, geographic areas and supporting institutions. These three sets of crops consist of oil palm from the first component of the original design and the traditional oilseeds (i.e. sunflower) and essential oils (i.e. citronella) from the second component. The third component mostly provides institutional support to organizations that focus on one of the three sets of crops. Therefore, a more coherent structure would have consisted of three different components or subprojects based on the three sets of different crops (oil palm, traditional oilseeds and essential oils). A revised project structure outlining the three subprojects, as agreed at the outset of the evaluation with the Government of Uganda and the Eastern and Southern Africa Division, is presented in annex I and serves as the basis for this report.
14. The evaluation was conducted in line with the IFAD Office of Evaluation (IOE) Evaluation Manual. It included assessment of: (i) the core performance criteria: relevance, effectiveness and efficiency; (ii) the five domains of rural poverty reduction impact: household income and assets, human and social capital and empowerment, food security and agricultural productivity, natural resources and the environment, and institutions and policies; (iii) sustainability and innovation, replication and scaling up; and (iv) the performance of partners including IFAD, the Government, cooperating institutions, and BIDCO. For each evaluation criterion, the final report provides a rating on a six-point scale (see annex II for definitions of the aforementioned evaluation criteria).²¹
15. The evaluation was conducted in three phases: (i) the preparatory phase, which entailed writing of the approach paper, recruitment of the team of consultants and a desk review of documents; (ii) the fieldwork phase, which consisted of a preparatory mission in November 2008 by the lead evaluator and the main multidisciplinary evaluation mission in March 2009; and (iii) the report-writing phase, which entailed data analysis and report preparation, including the consideration of comments from IFAD's Eastern and Southern Africa Division and

²⁰ In line with the IFAD Evaluation Policy, it is mandatory for the Office of Evaluation to conduct an interim evaluation before IFAD can finance a subsequent phase of a project or programme.

²¹ The ratings are: 6 = highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; 1 = highly unsatisfactory.

the Government, and the preparation of the agreement at completion point (ACP).²²

16. The evaluation has drawn on project monitoring and evaluation data, a mid-term review, three baseline studies and one impact assessment study.²³ Two extra studies were commissioned by IOE during the evaluation process in the traditional oilseed area: a participatory rural appraisal of household-level impacts and a macro-level analysis of poverty and vegetable oil consumption based on the Uganda national household survey data. These studies were intended to supplement gaps in information on social impact.
17. As per established practice for all evaluations, a core learning partnership,²⁴ was formed to assist in the evaluation process and to maximize the opportunities for learning. The core learning partnership was engaged throughout the process. They also participated in an evaluation learning workshop in Kampala in December 2009, which provided important inputs for preparing the evaluation's ACP.

III. Implementation results

18. A number of factors affected the implementation of VODP. The main issues for the oil palm subproject were a five-year delay in finalizing negotiations with BIDCO and a further two-year delay in establishing the KOPGT, the key institution for mobilizing smallholder participation in the project. In addition, the project encountered substantial public opposition arising from complaints about proposed tax concessions and concerns about the environmental effects of oil palm plantation on the island. A final factor was difficulty in acquiring sufficient land on the island for the expanded nucleus estate. Procuring the needed land became more challenging when it was decided not to degazette²⁵ public forests and to include a 200-metre vegetative buffer strip between the plantation and the shoreline.
19. As far as the traditional oilseed and essential oil subprojects are concerned, the main factors affecting implementation were exposure to insurgency, drought and floods. The traditional oilseeds were also affected by the subdivision of the districts in 2005-2006²⁶ and the reorganization of agricultural extension services, both of which reduced the operational reach of the District Agricultural Offices (DAOs) – a key implementing partner for the project. The emergence, through the private sector, of an alternative sunflower production/milling system to the VODP-supported products and activities handled by the DOAs, also undermined their attractiveness to farmers. However, the overall increased support and attention to oilseeds – from VODP and the private sector – had a synergistic effect in contributing to the growth in the oilseed subsector.
20. **Oil palm.** Once the Government of Uganda-BIDCO agreement was signed, the investor moved rapidly towards implementation. Oil Palm Uganda Limited (OPUL) was immediately set up to run the plantation in association with Wilmar Plantation Services.²⁷ The nucleus estate and the refinery at Jinja were largely established

²² The ACP reflects an understanding between IFAD and the Government on the findings and recommendations of the evaluation.

²³ The impact assessment study was commissioned by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and carried out by an independent consultancy firm (Bergen Consult [U] Ltd.) in 2006/07.

²⁴ Consisting of (i) MAAIF and agricultural research centres; (ii) Ministry of Finance Planning and Economic Development; (iii) NEMA; (iv) VODP Coordinator; (v) OPUL as the private sector cofinancing partner; (vi) district officials; (vii) KOPGT; and (viii) IFAD-country programme management team.

²⁵ In this context, to degazette means to declare the forest non-protected after having been designated as protected.

²⁶ The expansion from 14 to 23 districts meant that VODP had to liaise with more districts, which increased operational costs.

²⁷ Wilmar Plantation Services is a branch of Wilmar International Limited, a palm oil trading company based in Singapore. Its operations are located in more than 20 countries across four continents, with a primary focus on China, India, Indonesia, Malaysia and Europe.

within the first two years. OPUL recruited the necessary labour force for the nucleus estate and outgrower fields (currently 1,469 workers), constructed plantation roads (300 km so far)²⁸ and established field headquarters, a workshop, and workers' quarters and amenities. At the time of the mission, 7,700 ha had been made available to OPUL, of which 6,000 was plantable land and 5,624 ha had been planted. The PCO expected the outstanding 500 ha to be delivered by the end of 2009.²⁹ The oil extraction mill was under construction and scheduled to be operational by September 2009. OPUL provided a month of residential training on oil palm for KOPGT and has also supplied KOPGT with the necessary inputs when required, along with technical backstopping. One exception was a recent delayed delivery of seedlings arising from uncertainty about land availability.

21. Although the project refers to "smallholders" in the general sense of small farmers, the oil palm subproject distinguishes between (i) "outgrowers", who pledge their land for 25 years and receive a full range of establishment and management services from OPUL for the first three years; and (ii) "smallholders", who grow and manage oil palm on their own land, supported by the inputs and other services provided by OPUL and financed by the loans administered by KOPGT. It was originally intended that 1,250 ha would be designated as outgrower plots and 2,250 ha would be assigned to smallholders, making 3,500 ha in total.
22. KOPGT was incorporated as a trust in June 2005 and started operating a year later; a tripartite agreement covering its relations with OPUL and the Government was signed in August 2006. KOPGT represents the interests of farmers, national and local government, local NGOs and VODP. The objectives of the trust are to defend, promote and represent the interests of oil palm farmers and to perform a brokering role between farmers, the Government and OPUL, including the provision of loans for oil palm establishment. Major mechanisms for representing the interests of its beneficiaries are: a 10 per cent shareholding in OPUL;³⁰ participation in a multistakeholder FFB pricing committee; and membership of a services cost panel.³¹ In addition, KOPGT performs a wider role than that envisaged at design.³²
23. KOPGT has mobilized and organized farmers through their unit and block committees. With regard to the extension service provided to the smallholder oil palm growers, KOPGT is the principal agent, with only a minimal contribution from the DAO and its staff. The KOPGT extension staff are capable of advising on establishment and maintenance but have not yet received training on harvesting practices. Their knowledge is basic and will need to be developed further, especially in such areas as fertilizer use, harvesting techniques and record keeping.
24. The oil palm growers' scheme was devised to address the need for short-term financing to cover OPUL's provision of inputs and services to smallholders during the initial stages of plantation establishment. Modelled on other outgrower financing schemes in Uganda in sugar cane and tea, it provides an "advance" to farmers in cash or kind, to be recovered through harvest payment deductions by KOPGT.

²⁸ No target was specified in the design for the number of kilometres of road constructed.

²⁹ See paragraph 11. As this was an interim evaluation, the evaluation took place in 2009 before the project was scheduled to close in December 2011. It was therefore not possible to report on the final implementation results as of July 2010 when the evaluation will be considered by the IFAD Evaluation Committee.

³⁰ In March 2009, using IFAD funds, the Government purchased a 10 per cent shareholding of OPUL, valued at US\$600,000 plus the land for the nucleus estate on behalf of KOPGT.

³¹ The price for the FFBs is based on an agreed formula set out in the Government of Uganda-BIDCO agreement; the pricing committee will monitor compliance with this formula. The services cost panel, comprising the KOPGT manager and credit officer, two trustees and two block representatives, agrees to the price of inputs provided to smallholders and, through OPUL, to outgrowers. This structure is smaller than originally envisaged to enable speedier decision-making.

³² It undertakes farmer registration and organizes farmers' groups, coordinates land survey work with Kalanga district local government, administers loans and coordinates the provision of services and inputs to the farmers by OPUL, and engages in general public relations for the project.

25. Progress with the establishment of the smallholder and outgrower oil palm plantings has been slow.³³ At the time of the mission, a total of 2,294 ha had been registered and surveyed (66 per cent of the target) but only 1,151 ha had been planted because of ongoing land clearance operations and shortages of seedlings. The uptake has been much slower among outgrowers than smallholders because of the small and scattered nature of farmers' land holdings, which are below the minimum block size, and concerns about the length of the commitment. Only 33 per cent of the target outgrower land has been registered and only 18 per cent planted, compared with figures of 84 per cent and 41 per cent respectively for smallholder land. In all, there were 651 beneficiaries, of whom 72 were outgrowers, and 579 smallholders. Of these beneficiaries, approximately 31 per cent are women.
26. The first harvest of FFB from oil palm is envisaged to be in 2010.³⁴ The knowledge and skills required to ensure that the best quality FFBs are delivered to the mill are still to be disseminated from OPUL to KOPGT and its field extension staff, and onwards to the farmers. Discussions on logistics (FFB collection centres and field access roads/tracks) were just beginning at the time of the evaluation mission. Delayed construction of farm field access roads was causing concern among farmers.
27. Three environmental impact assessments were undertaken, possible negative impacts identified and appropriate measures put in place. An environmental management plan was developed and is being implemented. In approving the 2003 Environmental Impact Statement, NEMA formulated 24 risk mitigation conditions to be fulfilled and OPUL seems to be doing its utmost to meet the requirements.³⁵
28. Environmental monitoring is taking place through the relevant government ministries and agencies and the high-level impact monitoring system³⁶ that was set up in 2006 is operating effectively.³⁷
29. The VODP's funding to the Coffee Research Centre was to enhance the research base for oil palm development activities and most research tasks listed in the NARO memorandum of understanding were covered. However, the increased awareness about oil palm research has not been reflected in increased government funding to the Coffee Research Centre for oil palm research.
30. The Government procured a new 120-ton ferry, rehabilitated a second ferry and constructed ferry landings, which greatly increased commercial traffic to the island. It also upgraded the 68 km of spinal road on the island and built additional feeder roads, which reduce transportation costs and facilitate the delivery of inputs and technical services to smallholders.
31. **Traditional oilseeds.** The subproject substantially expanded its geographic coverage by increasing the number of districts and subcounties where it worked. The number of beneficiaries supported by VODP under the traditional oilseed subproject expanded from 5,149 in 1998/99 to 206,943 in 2007/08.³⁸ In 2008, this

³³ This is because of small farm size, the long gestation period required for oil palm (four years), concerns about the level of investment required, distrust of OPUL, etc.

³⁴ See paragraph 11. As this was an interim evaluation, the evaluation took place in 2009 before the project was scheduled to close in December 2011. It was therefore not possible to report on the final implementation results as of July 2010 when the evaluation will be considered by the IFAD Evaluation Committee.

³⁵ OPUL considers that environmental protection works in their favour, enhancing their international reputation.

³⁶ The impact monitoring system has 11 members representing MAAIF, NEMA, the National Forest Authority, the PMA donor subgroup, the National Organic Agricultural Movement of Uganda, the Kalangala district local government, OPUL, KOPGT and the PCO.

³⁷ Its mandate is to monitor compliance of oil palm development in line with NEMA conditions, to investigate any unanticipated concerns or negative impacts, and deal with any other enquiries, concerns or criticisms that might arise.

³⁸ A project beneficiary is defined as any individual who has received a service from the project (e.g. has participated in a training, demonstration, field day or farm visit). The majority are cultivating sunflower or other vegetable oil crops or have grown them at one time.

would have represented about a quarter of total households in the project area, assuming one beneficiary per household. The proportion of women remained relatively constant at 39 per cent.

32. The research, which involved two NARO research stations and farmers' field schools, mainly focused on the improvement of existing oilseed varieties, development of new varieties, and the testing, release and purification,³⁹ production and distribution of foundation and breeder seed. Several varieties of groundnut, sesame and hybrid sunflower were released, but no open pollinated alternative varieties⁴⁰ to Sunfola⁴¹ had been developed at the time of the evaluation mission. The fact that no local open pollinated varieties of sunflower were released during the 10 years of the project ultimately limited the impact on the scale of production and productivity of the subproject's main cash crop as an increased supply of improved seed was needed.
33. The Uganda Oilseeds Producers and Processors Association (UOSPA) carried out seed multiplication and distribution and also trained extension staff and farmers in sunflower cultivation. Initially, the project was selling the seed to farmers but starting in 2002/03, it was distributed free under the Poverty Action Fund as part of a government strategic poverty intervention. This was meant to be a short-term intervention since it was not PMA policy to distribute free inputs but the project has continued to distribute free seed to date. However, it gradually reduced the amount distributed to the districts and encouraged a more sustainable seed supply system by diversifying its procurement from other private companies besides UOSPA. A total of 548,721 kg of Sunfola seed was distributed to farmers between 1998 and 2008.⁴² Seed distribution increased steadily until 2004/05, after which it stabilized at a slightly lower level and then fell by half in 2007/08. This reflects VODP's policy of gradual withdrawal of free seed and farmers' switching to the Mukwano⁴³ hybrid seed. The increased supply of improved seed to farmers boosted yields and directly expanded cultivation of sunflower. Over the project period, the area planted with sunflower with VODP support rose from 2,102 ha in 1998/99 to 81,548 ha in 2007/2008.
34. Although it was not the only crop supported, the extension effort was concentrated on sunflower, because of its high oil content, general disease resistance, amenability to cottage processing and marketability. The strategy of working through the DAOs to reach organized farmers' groups allowed extension advice to farmers to be rapidly scaled up. This increased the area of sunflower under cultivation and also attracted other providers of extension services, such as Mukwano. However, the degree of VODP's extension effort has varied over the period and has tailed off in recent years.
35. Over the ten years of the project's operation, a cumulative total of 5,906 new farmers' groups were formed. Many of these groups were formed in the first two years as a result of intense publicity efforts, but then the numbers fell because of

³⁹ Varieties that are imported or developed in Uganda must undergo field tests over a number of growing seasons and the results (yield, disease tolerance, stability, etc.) must be accepted by the Variety Release Committee before being marketed as certified seed. Purification (re-release) is necessary when a previously released variety becomes vulnerable to new strains of disease or loses its resistance to disease.

⁴⁰ Open-pollinated varieties are the traditional varieties that have been grown and selected for their desirable traits for millennia. They grow true from seed, which means they are capable of producing seeds for the next planting season from this season's plants. These seeds will produce seedlings that will be just like the parent plant. This is often useful for smallholder farmers as it allows them to save seed from one year to the next as opposed to having to buy hybrid seeds annually.

⁴¹ Sunfola was the most prevalent open pollinated variety. It produces acceptable yields and is easy to crush because of its thin seed coat.

⁴² A very high proportion of this was distributed in the early years to two of the pilot districts, Apac and Lira, which accounted for a third of total seed distribution, and over half of that was distributed between 2000 and 2002.

⁴³ A Uganda-based conglomerate. It had benefited from United States Agency for International Development (USAID) support for its work with the oilseeds value chain.

problems with insurgency in three of the six pilot districts. Particular efforts were made to encourage women to join the farmers' groups. A total of 8,542 training sessions were carried out, at which 40 per cent of participants were women. Training modules included group development and dynamics, agronomy, post-harvest handling, cottage processing, farming as a business, and savings and credit. Seven thousand nine hundred and forty-four demonstration plots were established and 53,388 farm visits and 1,393 field days held.

36. A total of 343 ram presses, to extract oil from the sunflower seeds, were distributed for demonstration. Groups were also encouraged to contribute towards the cost and the proceeds were used to buy machines for other groups under a revolving fund scheme (e.g. in Soroti and Masindi). Initially, the ram press proved to be important as a source of value addition, both for domestic consumption and for local sales of oil. However, it was not without problems and currently there are many ram presses in disuse.⁴⁴ However, the ram press remains appropriate in remote areas without electricity.
37. A memorandum of understanding was signed between VODP and the UNBS in 2003 to improve the quality, safety and competitiveness of the vegetable oil subsector. Twenty-eight product quality standards have been developed for sunflower, sesame and groundnuts. Guidelines for good manufacturing practices by small and medium vegetable oil mills have been drafted and a vegetable oil processing quality control manual prepared. UNBS has focused more on self-regulation through training, technical support and public campaigns, working with the sector associations and municipal councils. Over 100 local government staff, millers, machine operators and traders have participated in regional sensitization and training workshops about food standards.
38. One role of VODC was to promote the interests of the vegetable oil subsector through coordination, information exchange, priority setting, policy advice and mobilization of resources for R&D. Undoubtedly there is an important role to be played in this respect although it was probably premature at the time, given the immaturity of the subsector, the fragmented nature of the value chain and mutual suspicion among some of the players. VODC did not fulfil this intended role and it is not clear that it was the appropriate institution to do so given that it was also providing oversight to VODP. The subsectoral advocacy role has recently been assumed by a new institution, the Oilseed Subsector Platform (OSSUP), set up in 2007, which acts as a platform for all actors in the value chain for information exchange, networking and coordination, influencing policy formulation and advocacy for the subsector.
39. **Essential oils.** Substantial progress was made in screening and identifying potential essential oil crops and piloting commercial development on farmers' land. The most successful crop was citronella, which is now grown, processed and sold by almost 800 farmers. However, bottlenecks emerged in the distilling and marketing processes that would impede large-scale production at the present time.
40. **Project management.** The PCO was set up in 1998 with the appointment of a project coordinator and secondment of five staff⁴⁵ from the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the official executing agency of the project. It has provided an efficient transfer of funds, technical backstopping, training on monitoring and evaluation, and support through public relations and publicity. This

⁴⁴ It suffered a high depreciation rate and a lack of spare parts, which local artisans found difficult to fabricate. The operation of the ram press is very arduous and it is difficult for women to use, which created problems for some women's groups. The cost of the machine rose rapidly due to the rising price of imported materials. There were some complaints about the quality of the processed oil. The machine could not process the harder shelled hybrid variety that farmers were increasingly growing for Mukwano; and finally, the ram press has a low oil extraction rate, which soon created a bottleneck once local supplies of seed had expanded.

⁴⁵ The staffing level has increased to the current 15 members.

role was particularly important in the oil palm subproject when it was suffering delays in implementation and negative publicity.

41. The project's unique public-private partnership (PPP) structure called for a diverse multistakeholder steering and oversight mechanism. Among its functions, the VODC was charged with steering and guiding project implementation. It was set up in 1999 and has seven members.⁴⁶ In this capacity, it has approved plans and budgets, provided technical and operational guidance, visited the two project sites, and has advocated for the project in a number of public forums.

IV. Project performance

A. Relevance

42. The VODP objectives are highly relevant to government policy both on the modernization of agriculture as a source of growth and poverty reduction, and on fostering partnership with the private sector in that process. They are also relevant to the Government's objectives of promoting import substitution and export diversification. By working with poor smallholder farmers, VODP is highly relevant to IFAD's overall corporate goal and the current Uganda country strategic opportunities paper. In 2005, IFAD developed a strategy for private-sector partnerships to develop partnerships with a range of private-sector operators, bringing a bottom-up approach to working with this sector.⁴⁷ It aimed to perform a catalytic role in promoting dialogue between the public and private sectors and leveraging higher levels of investments. Although VODP was designed before the IFAD strategy was developed, it is an example of the kind of project envisaged under this strategy.
43. The broad approach to the development of the traditional oilseed subsector was appropriate. The focus on increasing oilseed production, which constituted the core focus of the project, depended on the proper functioning of the entire value chain. The project accurately focused on the weaker links, such as seed supply, in the chain at the time.
44. In general, the target group for the project was broadly defined in terms of poor rural smallholder farmers engaged in subsistence farming. Targeting was mainly on grounds of geography, poverty and agro-ecological suitability. It was known that poverty in Uganda was more concentrated in the north, which had been perpetuated by decades of civil unrest and where agro-ecological conditions were less favourable. The choice of Bugala Island as the main project area for oil palm production was primarily made on grounds of agro-climatic suitability, although the fact that it was an area of subsistence agriculture and fishing helped to justify the choice. For the traditional oilseeds subproject, targeting was carried out through the selection of the districts and subcounties within them.
45. The project has suffered from a weak logical framework,⁴⁸ focusing mainly on oil palm,⁴⁹ which has undermined effective planning and monitoring. The identification and management of risk in the project could have been better. The financial allocations at initial design were not appropriate for the expanded scale of oil palm production that was necessary for the project to achieve its objectives.
46. The relevance of the VODP is assessed overall as satisfactory.

⁴⁶ Four members represent government ministries and agencies (MAAIF; the Ministry of Tourism, Trade and Industry; the Ministry of Finance Planning and Economic Development; and NARO), two represent the private sector (OPUL and UOSPA), and one represents farmers of the Uganda National Farmers' Federation.

⁴⁷ IFAD's Private-Sector Development and Partnership Strategy. April 2005.

⁴⁸ The first logical framework was done at appraisal in 1997; thereafter it was modified twice, once in 2005 and very recently in December 2008.

⁴⁹ Only two outputs were specified for traditional oilseeds, almost no activities and no targets. There was nothing at all on essential oils or food standards and little on institutional support.

B. Effectiveness

47. **Developing an oil palm industry in partnership with the private sector.** The effectiveness of the oil palm subproject has been mixed. It is greatest where it has been under the control of the private-sector partner, i.e. on the nucleus estate and the refinery, but less effective in meeting the targets for smallholder and outgrower plantings. Positive results have been obtained with regard to the establishment of KOPGT and the environmental monitoring system. At the time of the evaluation mission, the nucleus estate was largely established, with 92 per cent of the target 6,500 ha available for planting and 86 per cent of it planted. The required infrastructure was in place, but crucially, harvesting of FFBS had not yet begun. The smallholder and outgrower plantings are well below the target of 3,500 ha. The recent project extension adds another two years of harvesting before project completion, which, if successful, could accelerate the pace of mobilization and contribute to greater effectiveness.
48. **Optimizing yields and oil extraction technology for sunflower and other arable oil crops.** This subproject has been effective despite intermittent problems of insurgency and bad weather. The number of beneficiaries exceeds the original target of 60,000 households and the area planted with sunflower has increased. Over the project period, the area planted with sunflower with VODP support rose from 2,102 ha in 1998/99 to 81,548 ha in 2007/08, although there were variations in some years and some districts. New farmers are becoming involved in sunflower growing and existing farmers are increasing the proportion of land used for sunflower. Improved seed has increased yields.⁵⁰
49. The subproject also realized significant achievements in all its outputs and contributed to encouraging oilseed production, processing and milling by other actors. The number of oil mills in Lira alone increased from 3 in 1998 to 26 currently, and 12 mills are now operating in other districts. The strategic support to the subsector at various points in the value chain helped to ease key bottlenecks, particularly in improving seed supply and providing extension support to farmers to overcome their hesitancy over sunflower growing. This produced an overall improvement in value chain efficiency. These achievements could have been even greater with more applied research focusing in particular on soil fertility, more encouragement of private seed suppliers through a speedier withdrawal from the distribution of free seed, and a more sustained and deepened extension effort in recent years.
50. The essential oil subproject was of an exploratory R&D nature but it achieved its aim of verifying the potential for a range of essential oil crops in terms of their oil content, yield, vulnerability to disease, agronomy and commercial prospects. The scope for expanding cultivation of some of these crops has been identified provided that certain bottlenecks, such as difficulty in marketing, are addressed. The project has demonstrated that under the right conditions, some of these high-value crops could offer impressive returns to farmers in poor agro-ecological conditions.
51. Overall, the good performance of the traditional oilseed subproject has been offset by the delayed effectiveness of the oil palm subproject and the small-scale results of the essential oils subproject; therefore the effectiveness of the project as a whole is assessed as moderately satisfactory.

C. Efficiency

52. It is not possible to compare the costs with other projects in Uganda or the region because the project is unique in its approach. Project cost per beneficiary of the IFAD loan varies greatly across the subprojects due to the different scale of investment, the implementation strategy adopted and the level of beneficiary

⁵⁰ Impact Assessment Study, p. 21-22 and mission interviews.

participation.⁵¹ The higher cost and limited reach of the oil palm and essential oil subprojects are balanced by the lower-cost higher-reach oilseed subproject. In addition, overall project efficiency is helped by the fact that the high IFAD loan beneficiary-cost ratios of the oil palm and essential oil subprojects amount to only 33 per cent of total project expenditure compared with the lower-cost traditional oilseed subproject (44 per cent).⁵² Therefore, the average project cost per beneficiary of VODP is US\$85.

53. The five-year delay in implementation of the oil palm subproject had several implications for efficiency. In the case of the Government, project counterpart funding had to increase by more than 300 per cent.⁵³ As for the private investor, there has been a cost escalation in the oil-palm-related investment.⁵⁴ The delayed implementation of the subproject has meant delayed harvesting of FFBs. This will obviously push back the timing of the oil palm investment's payback period and also delay the realization of cash flows for OPUL/BIDCO, outgrowers and smallholder oil palm growers. Further, the delay slowed down overall project loan disbursement and required a reallocation of funds between the two subprojects and several project extensions, as well as incurring interest on non-disbursed loan funds. In addition, the project extension will impact on IFAD supervision and implementation support costs as supervision will need to be carried out over a longer period of time.
54. The traditional oilseed subproject has been underpinned by realistic costs that are consistently based on approved workplans and budgets. However, a number of issues have affected the efficiency of the subproject. The subdivision of the districts had the effect of increasing coordination, implementation and monitoring costs. The insecurity also slowed the pace and outreach of the project. There is little evidence of active collaboration between the implementing partners and other organizations promoting similar value chain activities (NGOs and donor programmes),⁵⁵ which could have provided an opportunity for leveraging additional resources, synergy and impact.
55. Overall, project efficiency is rated as moderately unsatisfactory.

V. Rural poverty impact

56. **Household income and assets.** With oil palm, the main asset for participating smallholders has come from the improved land rights (certificates of occupancy) and access to financial services. Some have benefited from the cash saved from KOPGT loans provided for land clearance. In some villages near the nucleus estate, farmers have been able to increase their income from sales of food to the workers. In most cases, the extra income has been used for better diet, family expenses and school fees. However, the scale of this impact is small. On the nucleus estate, 1,649 employees have benefited from employment, wages, housing, subsidized food, free health care and social security.
57. Smallholder production and processing of oilseeds are generating positive returns and raising household incomes. The impact assessment study showed that oilseed sales had increased significantly as the main source of household income and sunflower had overtaken groundnuts as the single most important source. Sunflower production has also boosted income from the sale of seed, cake and oil

⁵¹ The cost per beneficiary ranges from US\$7,923 for oil palm to US\$575 for essential oils to US\$37 for traditional oil seeds.

⁵² The remaining 23 per cent of project costs supported project coordination.

⁵³ This is mainly the result of the escalation in the cost of land for the nucleus estate, the new ferry and the unanticipated expenditure on mitigating criticism of the project.

⁵⁴ The overall average cost of plantation establishment and management has gone up by 42 per cent from the initially projected cost per ha of US\$4,200 to the current projected cost of US\$6,000 per ha.

⁵⁵ For example, the United States Agency for International Development (USAID) and the Danish International Development Assistance (DANIDA) funded projects on hybrid sunflower production in the Lira subregion.

and it has generated new income streams from complementary enterprises, such as bee-keeping, raising poultry and keeping pigs, fish farming and preparing and selling cooked food. The immediate benefit of increased income and employment is higher expenditure on food, clothing, home furnishings and consumer durables such as mobile phones and bicycles. Two thirds of citronella growers said that their income had improved as a result of their citronella crop.⁵⁶

58. **Human and social capital, and empowerment.** With oil palm, farmers' empowerment has increased, particularly through the organization of the unit and block committees, membership of KOPGT and the recently formed Kalangala Oil Palm Growers Association. These organizations provide a range of services – such as settlement of land disputes, and access to extension services and loans – and have given farmers a stronger voice, for example in their relations with OPUL. Farmers have learned how to elect officers, conduct meetings and prepare reports. Women have been actively encouraged to participate in the project, and make up 32 per cent of smallholders.
59. The traditional oilseed farmers' groups formed and strengthened by VODP have been an important mechanism of empowerment. Their internal organizational capacity has been enhanced by the project's training. Members are now linked to a larger number of external organizations and have more confidence in relating to people in authority. Sunflower growing has helped to improve women's position by further breaking down the traditional gender division of labour on the farm, increasing women's access to farm assets and new income-generating activities such as sales of oil.
60. **Food security and agricultural productivity.** With oil palm, the cash advances provided by the project (and discussed in paragraph 24) contributed to food security; however, food security remained a challenge. Some of the oil palm farmers visited by the mission said they experienced shortages of food at certain periods during the year. This situation is expected to improve once the income from FFB harvesting enables them to buy food to compensate for their reduced food production.
61. In the oilseed-producing districts, farmers are still maintaining a highly diversified farming system, growing a range of cash and food crops and rearing small livestock. On average, sunflower is grown on between a third and a quarter of available land. The increased income from planting sunflower more than compensates for the reduction in land available for their own food production. This was also the case for citronella farmers where the requirement for land is small.⁵⁷ The project has generated nutritional benefits from increased cooking oil consumption.
62. **Natural resources and the environment.** With oil palm, the project recognized that agriculture, particularly on the scale and intensity intended for Bugala, will have an impact on the environment (e.g. in terms of land use). Project activities have included environmental assessments prior to project start-up and incorporate mitigation measures to address the potential negative impacts and compliance monitoring. All parties have respected their commitments to regularly monitoring, reporting and following-up to address any newly emerging problems. Good practices have been introduced to minimize soil erosion and siltation. The fact that oil palm plantations are developed on grasslands and secondary private forests has limited the negative impact of lost biodiversity. The introduction of a monoculture raises the potential risk of disease and pests, which will need to be monitored.

⁵⁶ Impact of Citronella on Food Security. MAAIF, 2008.

⁵⁷ Citronella growers allocated only 10 per cent of their land to this crop on average and much more to food crops or livestock. Impact of Citronella on Food Security. MAAIF, 2008.

Monitoring of central forest reserves has increased with the project, which has affected the access of local people to these reserves.⁵⁸

63. The cultivation methods for oilseeds use very little fertilizer or pesticide and have limited negative environmental impact, although this means that soil fertility is being depleted. The risk of soil erosion is no greater in the cultivation of traditional oilseeds than in other cash crops and in some areas the increased income from oilseeds has meant that charcoal burning has declined as a source of livelihood, thereby reducing deforestation.
64. Citronella and lemon grass cultivation have potentially negative environmental effects because of the need for fuel wood for distilling.
65. **Institutions and policies.** VODP has had a major impact on institutions. It did not have a significant influence on policies as this was not a focus of the project. In addition to setting up KOPGT – which is providing important services to farmers – from scratch, the project has provided increased resources for the Kalangala district local government, particularly those departments most closely linked to the project, such as the DAO, the District Engineer and the Land Survey Department.⁵⁹ This has enabled them to improve service delivery on the island. However, there is increased pressure on other Kalangala district local government resources (e.g. in education and health) arising from the general increase in population, to which the project has contributed.⁶⁰ The intensive environmental monitoring programme gives NEMA a unique opportunity to gain experience in dealing with environmental risks. This experience will be valuable for NEMA's assessment of environmental issues in relation to other types of large agricultural production and processing in Uganda.
66. The use of the district extension service for project implementation has increased staff skills, knowledge and commitment to vegetable oilseed production. There has been substantial economic impact on traders, input dealers and private millers, particularly around Lira. VODP's cooperation with NARO has contributed to the updating and development of knowledge and skills in the participating research institutes. VODP support enabled the UNBS to develop its technical and human resource capacity.
67. Overall, the project's impact on rural poverty is rated satisfactory.

VI. Sustainability and innovation

68. **Sustainability.** The overall sustainability of the oil palm development on Bugala Island depends on the profitability of the private investor responsible for the harvesting, processing and eventual sale of the palm oil. The sustainability of the private investor appears likely as the market for cooking oil in Uganda and in the region, for which BIDCO already commands a reasonable share, is robust and growing. VODP's commitment and sustainability are underpinned by the heavy financial investment so far incurred, supported by well-functioning forward market linkages already established on the basis of the sale of refined (imported) crude palm oil. The current dependence on the imported crude palm oil will be offset by the production from Bugala once the first harvest is undertaken and the mill on Bugala begins operation.⁶¹ The sustainability of outgrower and smallholder participation in the project will hinge on the level of benefits realized through the FFB harvests and there is every prospect that the harvests will be successful.

⁵⁸ People accessed these forests for timber, fuel wood, grass for thatching, and gravel for construction.

⁵⁹ The 1998 Land Act requires the establishment of Subcounty Land Committees. Kalangala is so far the only district with such land committees in the subcounties where the project is working.

⁶⁰ The mission was told that the district has only one doctor and that medicine is scarce. There are only two teachers per 100 pupils.

⁶¹ Uganda's position as a landlocked country increases transportation costs associated with importing crude palm oil and makes import substitution from the production on Bugala a viable option.

Sustainability also depends on a continued future for KOPGT, which is currently not financially sustainable without donor funding.

69. The sustainability of the traditional oilseed subproject's main output – sunflower production – hinges on the efficiency of the value chain, which will ensure a continuing demand for the product at reasonable levels of profitability for all stakeholders. These efficiencies have improved during the project period partly as a result of the increased output from farmers, but some weaknesses remain. Realization of higher levels of profit at the farm level is still largely constrained by high unit costs of production arising from manual technologies, low productivity and poor produce quality. Sunflower production is likely to be sustainable into the medium term. In the longer term, however, declining soil fertility may threaten its sustainability.
70. The sustainability of the work on essential oil crops depends on converting the knowledge generated by the research into marketing opportunities for farmers. Crops such as citronella are suitable for development and the farmers are keen to pursue these opportunities. However, the distilling process does not appear to be environmentally sustainable and, although a potential market has been identified, regular orders have not yet been established. Currently the implementing partner's funding is totally reliant on external funding and is precarious.
71. The sustainability of benefits is therefore considered as moderately satisfactory.
72. **Innovation, replication and scaling up.** The oil palm subproject is one of the first major PPPs in the agricultural sector in Uganda. It has pioneered new forms of cooperation among the private sector, local and national government and farmers' organizations. The PPP brought a major new investor, BIDCO, to the country. Although the plantation mode of production is widely practised in other countries, it is new to Uganda. The structure and functions of KOPGT are also very innovative, particularly the mechanisms for protecting farmers' interests vis-à-vis the nucleus estate. There are three critical innovative elements: (i) the pricing formula for FFB harvests is linked to the world price in Malaysia, which means that farmers are not price takers, nor is OPUL a price setter; (ii) with the purchase of the 10 per cent shareholding of OPUL, smallholders are represented on OPUL's board; (iii) OPUL provides seedlings and fertilizer at cost to smallholders allowing them to benefit from the economies of scale and logistic organization implicit in modern production.
73. The development of niche markets of high-value essential oil crops for poor farmers was also innovative. There is little cultivation of essential oil crops in Uganda and most essential oils used by industry are imported.
74. The type of project intervention in the traditional oilseed subproject drew on tried and tested approaches to increasing agricultural production through improved seed supply, farmer extension and cottage processing. A particular innovation was the incorporation of a subcomponent on the development of food standards for the processing of oilseeds, which was not common practice at the time of design. Also novel – at least to Uganda – was situating these activities within a more integrated subsectoral approach.
75. However, the traditional oil seed subproject's main strength was in replicating and scaling up the approach to a large geographical area. This resulted in the subproject reaching a large number of beneficiaries. Its ability to do this rested primarily on the strategy of working through local government structures that had the mandate, if not the resources, to cover a large number of districts. The oil palm subproject also has the potential to be replicated and scaled as the private-sector partner is providing sufficient milling and processing facilities to accommodate increased smallholder production. However, a key to increasing small farmers' interest will be for the subproject to demonstrate its ability to be profitable through a successful first harvest.

76. Innovation, replication and scaling up are rated satisfactory.

VII. Performance of partners

77. **IFAD.** IFAD invested substantial resources in a consultation-based appraisal process. However, while the design of the oil palm subproject was technically sound, it proved to be of dubious commercial viability and there was insufficient analysis of the socio-economic context, which resulted in slow uptake by farmers. On the other hand, IFAD enhanced the pro-poor focus of the oil palm subproject through support for the smallholding element by ensuring a fair price setting mechanism for FFBs, setting up KOPGT and enabling KOPGT to participate in OPUL's board.
78. Unlike other international financial institutions, IFAD did not have any environmental and social safeguards but it exercised its responsibilities in this respect pragmatically. For example, IFAD recommended the setting up of the impact monitoring system to ensure that environmental issues were addressed.
79. IFAD provided important behind-the-scenes support to the Government during the difficult process of securing a private investor and subsequent negotiations over the redesign of the oil palm subproject. IFAD also helped in mitigating negative publicity by providing information and clarifications to donors and sponsoring publicity in the international media. In the more recent past, when there have been difficulties with BIDCO over the Government's delay in securing land for the nucleus estate, IFAD has played an important mediating role between the two parties. IFAD ensured that the supervision process was effective and that the transition from the World Bank to the United Nations Office for Project Services (UNOPS) was smoothly executed (see paragraph 80). The IFAD country programme officer has provided valuable support to VODP, especially in discussions with donors. The Fund's overall performance is therefore rated as satisfactory.
80. **Government of Uganda.** There is strong ownership of and commitment to the project at all levels of government, especially for the oil palm subproject. Despite the opposition of vested interests and adverse publicity, senior officials in a number of ministries have played a major role in pushing it forward through their participation in the Land Acquisition Taskforce, the VODC and the impact monitoring system. The Government's commitment to the project is also demonstrated by the fourfold increase in its financial support from US\$3.8 million to US\$12 million. That said, government procedures have caused delays in project implementation, which have reduced its efficiency. There were delays in the clearance of memorandums of understanding with implementing partners, which impeded release of funds to them and in procurement. In other areas, such as establishment of the PCO, compliance with loan covenants, audit and project monitoring, the Government's performance has been satisfactory. The performance of the PCO has been commendable, especially in terms of responding to the external criticism faced by the project in the early years (e.g. by arranging public relations field visits to see the oil palm activities). The district local governments have continued to provide strong support to the project through their elected leaders and technical officers, despite the restructuring of the extension system and dwindling resources. The Government's performance is rated moderately satisfactory.
81. **Cooperating institutions.** The World Bank was the cooperating institution for VODP from the start until August 2004. Its supervision reports show a high degree of commitment to and knowledge of the project. The Bank was able to use its influence to push forward negotiations on the selection of the private investor and it performed an important mediating role. After the Government's agreement with BIDCO on the changes in the oil palm subproject, the Bank was instrumental in pushing for a revised environmental impact assessment and reappraisal of the

project. UNOPS took over from the World Bank in September 2004.⁶² The supervision missions were conducted twice a year rather than once and there was more IFAD involvement.⁶³ The missions undertaken by UNOPS identified problematic issues at an early stage (e.g. the weakness of the research institutes, lack of attention to soil fertility and seed supply, and the need to consider savings and credit activities and group marketing). However, both institutions focused primarily on the oil palm subproject, and gave less attention to the traditional oilseed subproject, and very little to the essential oil subproject. Overall, the performance of the cooperating institutions is considered to be satisfactory.

82. **Private-sector partner (BIDCO, OPUL).** The private-sector partner has demonstrated high commitment to the realization of the oil palm subproject and extraordinary patience with the Government over the negotiation of the agreement and the slow pace of land acquisition.⁶⁴ Its commitment is reflected in the size of the investment to date and the speed of its implementation. By the end of 2009, BIDCO's investment will amount to about US\$75 million, which is already more than double the initially projected private-sector investment in the project. In three years, BIDCO has become Uganda's fifteenth largest taxpayer with a contribution of 28.5 billion Ugandan shillings last year (approximately US\$14 million). On Bugala, OPUL has shown flexibility in adjusting to local conditions. For example, it agreed to reduce the minimum size of the consolidated outgrower plots, despite a considerable reduction in operational efficiency. It has provided informal technical backstopping to KOPGT and fully complied with the NEMA environmental risk mitigation conditions. The performance of the private-sector partner has been exemplary and is therefore ranked as highly satisfactory.

VIII. Summary of ratings

83. The three subprojects differed enormously in their performance and achievements. While all subprojects scored well in terms of relevance, the lower effectiveness, efficiency and impact of the oil palm and essential oil subprojects offsets the satisfactory effectiveness, efficiency, sustainability and rural poverty impact of the traditional oilseed subproject.⁶⁵ Therefore the overall achievement of the project is moderately satisfactory (4). The summary ratings for the project as a whole are provided in the table below.

⁶² The World Bank withdrew as cooperating institution because it feared that the expanded oil palm project would not comply with its internal forestry safeguard policies.

⁶³ IFAD usually fielded a member of the country team and a consultant.

⁶⁴ BIDCO has not yet received the 20,000 ha of land for the estate on the mainland but it has not exercised its right to terminate the agreement with the Government if this land was not delivered within 12 months of the agreement.

⁶⁵ Note that the performance of partners is not included in the assessment of overall project achievement.

Summary of the evaluation's ratings of the VODP

<i>Evaluation criteria</i>	<i>Project evaluation ratings</i>
Core performance criteria	
Relevance	5
Effectiveness	4
Efficiency	3
Project performance	4
Rural poverty impact	
Household income and assets	5
Human and social capital, and empowerment	5
Food security and agricultural productivity	4
Natural resources and the environment	4
Institutions and policies	5
Overall rural poverty impact	5
Other performance criteria	
Sustainability	4
Innovation, replication and scaling up	5
Overall project achievement^a	4
Partner performance	
IFAD	5
Government of Uganda	4
Cooperating institutions	5
Private-sector partner	6

^a This is based on the ratings of six evaluation criteria – relevance, effectiveness, efficiency, rural poverty impact, sustainability, and innovation, replication and scaling up but not the performance of partners. In addition, the assessment is based on the evaluator's judgement and not an arithmetic average of the ratings.

IX. Conclusions and recommendations

A. Conclusions

84. VODP is a high-profile project because of the novelty of the PPP, the extent of leveraged private-sector financing, and the political controversies involved with the oil palm subproject. It is a highly innovative project, with important lessons emerging from all three subprojects regarding: the advantages and challenges of a PPP (oil palm); the potential for replicating and scaling up traditional smallholder development through a value chain approach (oilseeds); and the challenges of developing niche markets for little known crops (essential oils). The project has had a synergistic effect in promoting sunflower cultivation and processing, which is evidenced not only by the large number of beneficiaries involved but also by the expansion in industrial milling and sales of vegetable oil.
85. At this point, it is difficult to assess the achievements in the oil palm subsector because of the long delays in start-up. Thus, the potential achievements in the oil palm subproject need to be assessed cautiously as they are still to be realized. While the model is innovative and supports an equitable relationship between smallholder and the private sector and the benefits to smallholder farmers are expected to be substantial, only a small number of farmers are currently participating. Knowledge about the requirements for developing niche markets in essential oils has grown considerably, but the impact on farmers is still small. Despite the many challenges faced and the underestimation and poor management of project risks (related to land and the environment), the level of commitment to the project by sponsors, investors, managers and implementers is high. There has been strong cooperation and partnership in all subprojects and at all levels.

86. **Oil palm.** The oil palm subproject is now well under way and the private investor has proved to be an exceptionally good partner. The nucleus estate is 92 per cent established and the first harvests of FFBs on the nucleus estate and smallholder/outgrower land are expected by early 2010. The low participation of outgrowers and smallholders remains a concern, but the expectation is that the numbers will increase once farmers realize cash benefits from the harvest. With two years of harvesting before project completion, it is possible that the target numbers of smallholders and outgrowers will be achieved. The decision to expand the nucleus estate sixfold had serious implications for its implementation. It affected the pace and cost of implementation and provoked public concern about possible effects on the environment. These concerns provided fodder for vested interests opposed to the project, which in turn undermined potential support among landowners and farmers on the island. With the benefit of hindsight, the project should have explored the implications of the nucleus estate expansion earlier and in greater depth, anticipated potential land shortages and concerns by environmentalists, and proactively addressed these problems.
87. **KOPGT.** Starting from scratch, KOPGT has developed into an effective organization, providing a range of services including farmer organization, extension and loan administration. The current system is working well, with mutually reinforcing links between farmers' organizations, extension and credit. The financing system has been adapted to the special circumstances on the island and seems to be working well. It remains to be seen whether these loans can be recovered efficiently and the situation will need to be closely monitored after the first harvest. KOPGT will need to ensure that its accounting system can record all transactions in real time and provide individual accounting to farmers. In the short term, there is a need to consolidate the gains made in establishing KOPGT and to further strengthen it. In particular, KOPGT, as a multifunctional organization, will need to expand its learning, and improve its agronomic technical skills to help farmers. In addition, KOPGT will need to do this without increasing its overall cost, thus improving its operational efficiency. However, the main remaining concern is its financial sustainability, which needs to be addressed urgently.
88. **Traditional oilseeds.** There has been strong achievement with traditional oilseeds particularly given the difficulties faced due to insurgency and intemperate weather in the project area. Performance could have been even better with some small improvements. The research stations could have released improved sunflower open pollinated varieties earlier and the link between the research stations, on-farm trials and the extension work could have been stronger; the phasing out of free seed and collaboration with private seed suppliers could have been introduced earlier; higher-output oil pressing machines could have been sourced to maintain interest in cottage processing; and the extension work could have been deepened with more attention to soil fertility, as well as broadened as the project progressed.
89. The two main lessons from this subproject are: first, an integrated value chain approach – even if only partially integrated as in this case – increases the effectiveness of any one part of the chain as well as the overall set of linkages, thereby increasing profitability to all the actors. The improvements in seed distribution and the opportunities for value addition encouraged farmers to increase their area under sunflower cultivation, which in turn stimulated more traders and millers to enter the subsector and improved market conditions generally; second, working through the DAOs enormously scaled up project implementation and increased the number of beneficiaries. Working through UOSPA facilitated linkages to other private-sector operators, especially the millers.
90. The NARO research institutes have fulfilled their obligations under the memorandum of understanding, but have faced some challenges. The main problems were lack of sufficient financial and human resources, weak staff capacity and the low priority given to vegetable oil crops. The lesson here is that financial

injections into weak research institutions are unlikely to be sustainable without assured future funding. The performance of UNBS in developing food standards for vegetable oilseeds and promoting awareness of the importance of these standards among producers and processors is commendable. UNBS would benefit from further resources to strengthen its work on inspection and compliance.

91. **Subsectoral advocacy.** The role envisaged for VODC in supporting the overall subsector outside of the project was enlightened, if premature at the time. However, it raised conflicts of interest given its oversight role of VODP. The subsector support role has largely been taken over by OSSUP. OSSUP has wider representation than VODC and benefits from considerable enthusiasm and energy from its participants. It is working towards defined objectives and targets, and is developing priorities for advocacy and policy dialogue.
92. **Essential oils.** Considerable advances were made in the R&D of different essential oil crops – which was the major objective of the project – but the piloting of processing and marketing of these crops showed that there are bottlenecks in the value chain that would need to be overcome before any commercial development could take place. Apparently there are opportunities for essential oil production in Uganda; there is a demand from industrialists (depending on quality, price, volume and regularity of supply, etc.), and these high-value crops could offer good returns for farmers in areas where there are few other alternatives. The main lessons from this subproject are that while R&D of new agricultural crops is necessary, it is expensive, and once trials have been undertaken on farmers' land, it is difficult to manage their expectations regarding further development. Before launching into larger-scale production, it is important to research the downstream linkages in order to ensure that the potential profitability of the crop can be realized. However, such market research requires specific competencies and dedicated resources, and cannot be grafted onto the existing responsibilities of researchers or project staff.

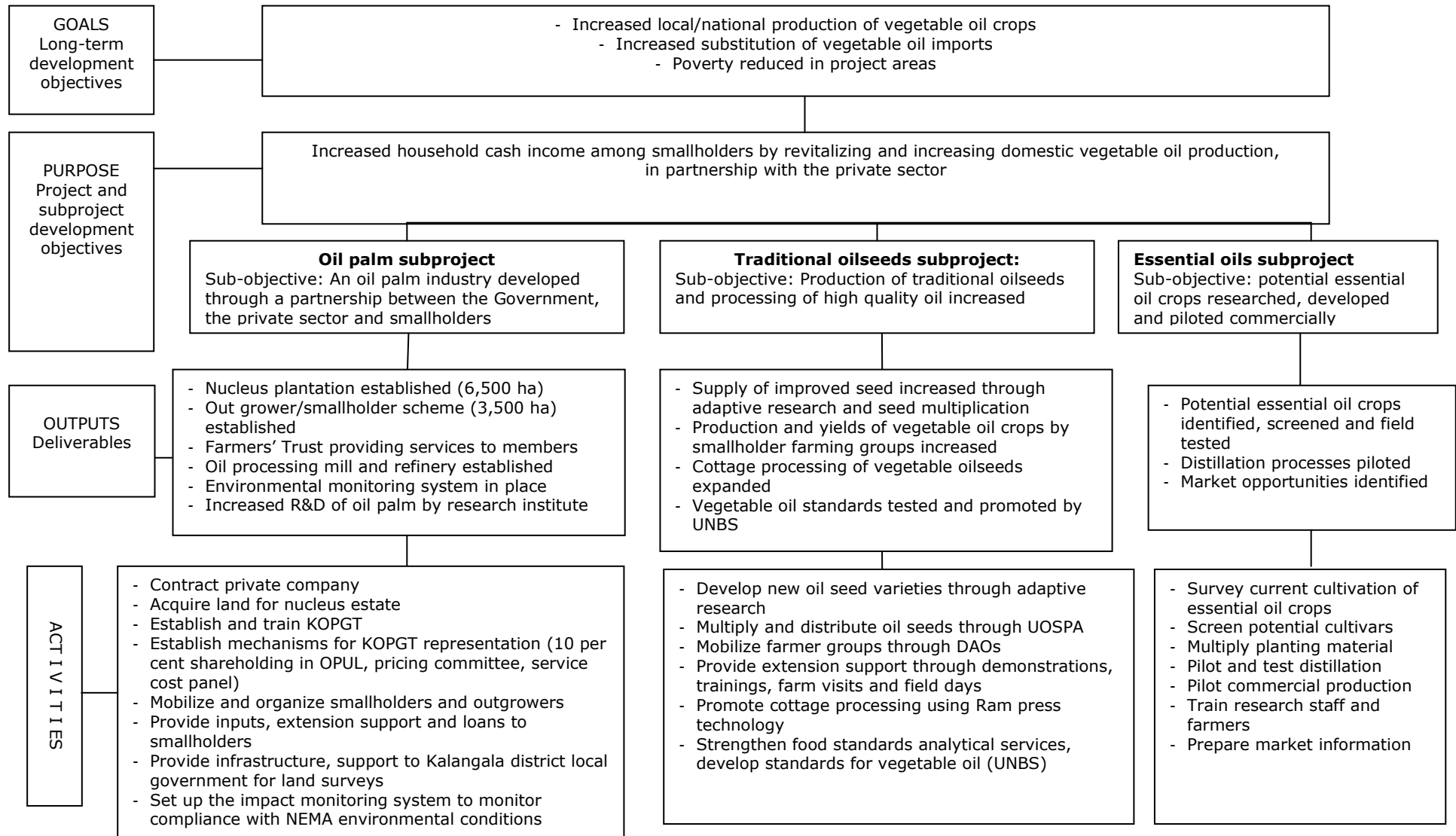
B. Recommendations

93. **Follow-on project.** It is recommended that IFAD and the Government proceed with a follow-on project. Based on the above findings, the evaluation has the following recommendations for consideration when designing the follow-on project:
94. **Oil palm.** A second phase should continue and extend the partnership with OPUL through the replication of the nucleus estate and smallholder oil palm model on Buvuma Island, and continued consolidation and expansion in Kalangala District to some outlying islands. The lessons learned from the current phase about the commercial potential for vegetable oil, the importance of adequate opportunities for securing land, effective environmental management and addressing farmers' incentives and constraints should be incorporated into the design of the second phase. This should include a full social and environmental impact assessment, a new environmental management plan with emphasis on communications, and activities to promote livelihood enhancement in the oil palm communities.
95. **KOPGT.** The Government and IFAD should give priority to ensuring the long-term financial sustainability of KOPGT by 2016. The trust should be fully assessed by type of task in order to ensure full cost recovery for services provided as well as the sustainability of financing operations. A medium-term plan should be developed to indicate the long-term scope of extension and financial services and how these can be provided on a sustainable basis. The plan should clarify the relationship between KOPGT and the Kalangala Oil Palm Growers Association.
96. **Traditional oilseeds.** IFAD and the Government should consider carefully the need for a second phase. The focus should be on helping smallholder farmers to supply crushing material (both sunflower and soybean) to millers. The project should address concerns about declining soil fertility and farmer training should be provided in the use of fertilizers and other agro-chemicals, conservation agriculture and other related activities. There should be support for mechanization and value

addition activities, as well as post-harvest handling and group marketing. IFAD and the Government should continue to support the development of food standards and codes of practice for the vegetable oil subsector through UNBS. In the second phase, there should be a sharper focus on promoting direct commercial relations between farmers and private-sector actors to promote the long-term sustainability of oilseed development. If IFAD and the Government consider it necessary to expand this component into areas formerly in the hold of the Lord's Resistance Army further north because of the extent of poverty and the opportunities for successful development of oilseed production, the follow-on project should take account of the need for special skills in post-conflict work and coordination with other donors and NGOs working in this region.

97. **Subsectoral advocacy.** IFAD and the Government should build upon the experience being amassed by OSSUP so that they can step up information exchange and coordination among the various value chain actors, and develop policy dialogue to promote the subsector. IFAD should provide a grant to support OSSUP. Through this support, OSSUP should be able to maintain and expand an institutional and knowledge management framework that is capable of promoting the sustainable development of Uganda's vegetable oil subsector.
98. **Essential oils.** IFAD and the Government should support the further development of speciality and niche market essential oils in order to realize value from the research investments made to date. The project should work with all stakeholders in the value chain to support the creation of commercially viable business opportunities and the development of market linkages. A comprehensive value chain analysis could be undertaken, focusing on bottlenecks in distilling and marketing and the mitigation of environmental damage arising from fuelwood use in distilling. A greater range of implementing partners could be involved, including private organizations or NGOs with expertise in industrial processing and marketing. Such support could be obtained through a stand-alone grant financed by IFAD to the organizations identified to provide this activity with a sustainable basis.

Project structure (adapted from project logical frameworks)



Definition of the evaluation criteria used by the Office of Evaluation

<i>Criteria</i>	<i>Definition</i>
Project performance	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project coherence in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact	
	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
<ul style="list-style-type: none"> • Household income and assets 	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
<ul style="list-style-type: none"> • Human and social capital and empowerment 	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, and the poor's individual and collective capacity.
<ul style="list-style-type: none"> • Food security and agricultural productivity 	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
<ul style="list-style-type: none"> • Natural resources and the environment 	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment.
<ul style="list-style-type: none"> • Institutions and policies 	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
<ul style="list-style-type: none"> • Sustainability 	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
<ul style="list-style-type: none"> • Promotion of pro-poor innovation, replication and scaling up 	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
Overall project achievement	
	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
Performance of partners	
<ul style="list-style-type: none"> • IFAD • Government • Cooperating institution • NGO/community-based organizations 	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.

Note: These definitions have been taken from the OECD/DAC *Glossary of Key Terms in Evaluation and Results-Based Management* and from the Methodological Framework for Project Evaluation as agreed upon with the Evaluation Committee in September 2003.

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