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Enabling poor rural people
to overcome poverty

President's report on a proposed grant under the country-specific grants window to the SNV Netherlands Development Organisation for the Uganda Oilseeds Subsector Platform

Note to Executive Board representatives

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Abbreviations and acronyms

MSP	multistakeholder platform
OSSUP	Uganda Oilseeds Subsector Platform
SNV	SNV Netherlands Development Organisation
VODP	Vegetable Oil Development Project

Recommendation for approval

The Executive Board is invited to approve a country-specific grant of US\$1.14 million to the SNV Netherlands Development Organisation (SNV) for financing the Uganda Oilseeds Subsector Platform (OSSUP).

President's report on a proposed grant under the country-specific grants window to the SNV Netherlands Development Organisation for the Uganda Oilseeds Subsector Platform

I submit the following report and recommendation on a proposed grant under the country-specific grants window to SNV in the amount of US\$1.14 million.

Part I – Introduction

1. This report recommends the provision of IFAD support to the programme of the SNV Netherlands Development Organisation (SNV).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:

Uganda Oilseeds Subsector Platform (OSSUP)

3. The objectives and content of the programme are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
4. The overarching strategic goal that drives the Revised IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (i) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (ii) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (iii) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (iv) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The proposed grant is in line with the goal and outputs of the revised IFAD grant policy. In particular, the grant will further coordination in the oilseeds subsector through support for better contractual linkages between processors and farmers' groups, promotion of financing for the subsector, and national policy dialogue on issues for all edible vegetable oils.

Part II – Recommendation

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Uganda Oilseeds Subsector Platform (OSSUP), shall make a grant not exceeding 1.14 million United States dollars (US\$1,140,000) to the SNV Netherlands Development Organisation for a five-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze
President

Uganda Oliseeds Subsector Platform (OSSUP): Facilitating multistakeholder dialogue and commitment in the oilseeds subsector in Uganda

I. Background

1. Uganda has made enormous progress in reducing poverty, slashing the countrywide incidence from 56 per cent of the population to 31 per cent in 2005. Poverty remains firmly entrenched in the country's rural areas, with some 10 million men, women and children still living on less than two dollars a day. Consumption of oils and fats in Ugandan diets is only about 20 per cent of the global per capita average. Population growth and rising incomes will continue to fuel an annual growth rate of 9 per cent in domestic and regional demand for vegetable oil and its by-products for the foreseeable future.
2. The SNV Netherlands Development Organisation (SNV) is a non-profit organization that has worked for poverty reduction in over 35 countries for over 40 years. The organization is based in The Hague, the Netherlands, with offices in a number of countries, including Uganda. The Uganda country office (SNV Uganda) will implement the grant and works with oilseeds as a key subsector in agricultural value chain development. IFAD has worked with SNV Uganda through the Vegetable Oil Development Project (VODP) as it has drawn to a close in 2010 and 2011. IFAD and SNV are partnering in a number of other countries, including Mozambique, South Sudan and Kenya, and on projects in Asia.

II. Rationale and relevance to IFAD

3. When IFAD carried out its Interim evaluation of VODP¹ – and during the design of the Vegetable Oil Development Project, Phase 2 (VODP2)² – weak subsector coordination was identified as a problem. When the IFAD loan for VODP2 was submitted, the Executive Board was informed of the expected IFAD country-specific grant to SNV to finance the Uganda Oilseeds Subsector Platform (OSSUP) with a view to coordinating stakeholders in the subsector in Uganda. The performance-based allocation for Uganda is US\$71.3 million,³ with US\$66.0 million committed in loans, thus leaving an uncommitted balance of US\$5.3 million, of which US\$1.14 million will be used to finance this country specific grant.
4. The oil palm subsector is vertically integrated and has two major processors: one has invested in oil palm plantations, with support from IFAD in Uganda, and the other is processing imported crude palm oil. The oilseeds subsector (sunflower, soybean, sesame and groundnuts) is characterized by a large number of operators (seed companies, large and small processors, traders, farmers' groups and individuals, as well as banking and financing institutions). Poor coordination among stakeholders in the oilseeds subsector impacts the entire value chain: input supply is irregular (relative to quantity, quality, price and availability of seed and fertilizer); the availability of financing for processors is expensive and risky; and farmers and farmers' groups are not able to access financing to introduce modern crop technologies or to finance bulking to obtain better prices from processors.

¹ See document EC 2010/63/W.P.4, Republic of Uganda, Interim evaluation, Executive summary of the Vegetable Oil Development Project, and document EB 2010/100/R.6, Report of the Chairperson on the sixty-third session of the Evaluation Committee.

² IFAD approved a loan of US\$52 million to the Republic of Uganda as contained in document EB 2010/99/R.19, President's report on a proposed loan to the Republic of Uganda for the Vegetable Oil Development Project – Phase 2, paragraph 38.

³ See document EB 2101/101/R.45/Add.1, Progress report on implementation of the performance-based allocation system.

5. SNV Uganda has supported and strengthened the voluntary network of private, public and civil organizations and institutions that have constituted OSSUP since 2007.
6. The IFAD-funded VODP2 will promote specialized training in crop technology by private-sector operators to raise farmer productivity, and training in bulking of crushing material by farmers and their groups. OSSUP, which is already well known to oilseeds stakeholders and which has gained substantial experience and credibility, is seen as the best mechanism through which VODP2 can participate in and work on issues of oilseeds subsector coordination. Another overarching objective is to promote coordination among oil palm and oilseeds processors and other stakeholders. The activities supported by the proposed grant are directly linked to VODP2.
7. SNV works with the strengthening of agricultural value chains to enable small-scale farmers and cooperatives to seize market opportunities. This is in line with the National Development Plan of the Government of Uganda, which aims to turn farmers away from subsistence farming and towards the market.
8. The proposed grant is aligned with the Fund's strategic objectives in Uganda to help farmers move from subsistence to market-oriented production. It is also in line with the IFAD grant policy to promote innovative technologies and hold policy dialogue to create equitable and sustainable markets for poor people, and thus raise incomes.

III. The proposed grant

9. The overall objective of VODP2 and SNV activities is to ensure a well-coordinated, market-focused and private-sector-led vegetable oil sector. The principal focus of the grant will be on strengthening coordination within the oilseeds subsector, through the mechanism of OSSUP, with the objective of enhancing the competitive position of locally sourced crushing material from sunflower, soybean, *simsim* (*Sesamum angustifolium*) and groundnuts for processing into edible oil and soap. VODP2 will promote the introduction of improved seed varieties and extension services by private-sector operators to farmers' groups and farmers, while OSSUP will support the consultation process among processors, seed companies, input suppliers and financial institutions, together with representatives of farmers' groups.
10. Three levels of stakeholders in the oilseeds value chain will be brought together under the proposed grant: primary actors (processors, such as seed breeders, suppliers and millers); value chain supporters (such as banks and extension service providers); and enablers (such as government institutions and donors). An indirect target group is farmers and their families, who are involved in the production of oilseeds and the selling of crushing material, and potential farmers in the subsector.
11. The five-year grant has three components:
 - (a) Facilitating multistakeholder dialogue at national and regional levels, including:
 - Quarterly multistakeholder platforms (MSPs) at the four regional oilseeds commercial hubs and at the national level;
 - Establishment of private-sector business networks and linkages in four hubs;
 - An annual policy dialogue event.
 - (b) Coordinated and monitored action to:
 - Develop a long-term vegetable oil subsector master plan, which includes both oilseeds and oil palm;

- Participate in an annual sector performance review and analysis;
 - Facilitate the scaling up and roll-out of credit guarantee schemes for oilseeds farmers and any other relevant financial services.
- (c) Inclusive and participative knowledge management:
- Local and national learning spaces and communities of practice for replication and scaling up of successful experiences;
 - Development of an interactive subsector website and portals;
 - Annual knowledge and learning fairs;
 - Voluntary action research on emerging trends, evidence and best practices for the various oil seeds;
 - Formation and functioning of learning alliances;
 - Participation in annual market research to generate sector statistics on supply and demand trends for vegetable oils, nationally and globally.

IV. Expected outputs and benefits

12. Through the promotion of better linkages along the value chain, farmers and families involved in the oilseeds value chain will benefit, as productivity and competitiveness will be improved through the removal of barriers between smallholders and processors. The specific benefits expected are:
- Improved commercial linkages between the private sector and small farmers and better prices to farmers for quality oilseeds crushing material in bulk volumes;
 - Development of regional strategies within Uganda for the various types of oilseeds produced in the diverse areas, tailored to the characteristics of the crop and the needs of farmers;
 - Credible and reliable contractual frameworks between processors (purchasers) and small farmers (producers/sellers);
 - Increased cash income to men and women from oilseeds production;
 - Better coordination with the oil palm subsector to promote greater availability of edible oil nationally and regionally at prices affordable to poor consumers.

V. Implementation arrangements

13. **Management and coordination.** The overall responsibility for coordinating and implementing the grant will lie with SNV Uganda, which will be responsible for the management of IFAD grant funds and running the day-to-day operations of OSSUP. SNV Uganda will use its existing networks and field presence to implement activities to be financed under the IFAD grant. The OSSUP coordinator will report biannually to the steering committee in Uganda, which will provide oversight on project management. SNV Uganda will collaborate closely with the programme management unit of VODP2, both at the national level and through regional hub offices at the local level.
14. **Financial management.** The grant will be managed through the SNV Uganda normal governance and management structure. SNV Uganda has a country director and a financial controller who manage the financial operations of the organization, and are supervised by the SNV regional director and finance controller in Nairobi, as well as the executive directors and the executive board in The Hague, the Netherlands. SNV carries out biannual financial and management audits for all its programmes using internal capacity, and SNV Uganda undertakes an annual audit using external auditors, which is submitted to SNV The Hague.

15. A plan for monitoring is in place from the outset, based on SNV and IFAD existing methodologies. External evaluations will be conducted at midterm and programme end. The grant will be supervised annually by IFAD during supervision of the oilseeds component of VODP2.

VI. Indicative programme costs and financing

16. The total IFAD grant will be US\$1.14 million; SNV will provide cofinancing of US\$285,000, corresponding to 20 per cent of the programme cost. There will be five expenditure categories for the IFAD grant: personnel (14 per cent); consultancy costs (62 per cent); travel costs (4 per cent); workshops (17 per cent); and general and administrative costs (3.5 per cent).

Summary of budget and financing plan

(Thousands of United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
1	Personnel (including subcontractors)	156	48
2	Consultancy costs	704	160
3	Travel costs	45	12
4	Workshops	195	42
5	General and administrative costs	40	23
	Total	1 140	285

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators ⁴	Means of verification	Assumptions
Goal	Contribute to sustainable poverty reduction in Uganda by increasing the domestic production of vegetable oil and by-products, raising rural incomes for smallholder producers and ensuring the supply of affordable edible oil products to consumers.	<ul style="list-style-type: none"> - 50% of rural households involved in oilseed value chains with improvements in assets ownership index at project completion (*) - 20% reduction in the prevalence of child malnutrition of rural households involved in oilseed value chains, by gender (*) 	<ul style="list-style-type: none"> - Impact assessment - IFAD project report - OSSUP report and action research results - Uganda Bureau of Statistics 	Oilseeds continue to be a strategic crop for the Government and the farmers.
Objectives	A well-coordinated, market-focused and private sector lead vegetable oil sector that brings together actors to stimulate joint actions and collaboration in order to achieve a competitive, viable, equitable and sustainable sector.	Oilseed stakeholders capable to: <ul style="list-style-type: none"> - balance flexibility and coherence - relate and establish policy dialogues - act and commit collectively - adapt and self-review business plans and value chain strategies - achieve development results in terms of production, income and employment for rural household and women's economic empowerment 	<ul style="list-style-type: none"> - IFAD project reports - OSSUP reports and action research results - Household Impact Assessment Survey - VODP2 M&E database - Baseline studies and PCR - OSSUP self-assessment reports - Oilseed stakeholder focus groups 	<ul style="list-style-type: none"> - Absence of external and internal economic shocks - Data available from private sector producers - Government nutrition strategy implemented - Overall food security improves in the country
Outputs	<ul style="list-style-type: none"> - Well functioning forum for stakeholders with focus on sharing best practices - Policy dialogue to improve VODP2 process - Sector specific statistics - Sector and research actors work together for innovation and quality of hybrid seeds 	<ul style="list-style-type: none"> -Oilseed growers have access to information on improved seeds and millers UNBS cert - Dialogue with government regulators on releasing two new breeds by 2013 -Policy documents submitted to MAAIS -Sector website with prices and statistics - 80% VODP2 target farmers (30%w) negotiating business, 50 % using OS MIS Dialogue with farmers to reduce moisture content of delivered oilseed and promote bulk selling with price premium 	<ul style="list-style-type: none"> -Official seed certification reports - UBOS survey reports - Seed import statistics - OSSUP reports - Market research reports - DAO technical reports - NAADS technical reports - VODP2 progress reports - Information from millers and other service providers 	<ul style="list-style-type: none"> - No disease outbreaks and stable security situation. - Farmers increase production - Industry coping with 1 in 5 year extreme weather event NAADS and VODP2 collaborating for extension - OSSUP members & partners have sustained interest in the platform -Acceptance of a new market information dissemination system
Key Activities	Facilitate MSPs, private sector business networks, vegetable oil sector long term plan, website, knowledge fairs, research, policy dialogue, innovation, R&D market place events, up scaling and roll-out of credit guarantee schemes. Participate in annual sector performance review and market research to provide statistics.	Relevant meetings held and policy and research papers delivered. Website up and running, and conferences and workshops have been held according to schedule. 80% of VODP2 target farmers (30%w) are empowered. Learning alliances formed and functioning. VODP2 guarantee schemes rolled out.	Meeting minutes, list of participants, invitations. Written policy, strategy and research documents. Sector briefs on webpage. List of seed varieties and other innovative results. OSSUP workshop reports.	<ul style="list-style-type: none"> - Donor support for vegetable oil sector sustained. - No drastic shifts in international prices of vegetable oils. - Sufficient mobilisation for stakeholders to attend events, and provide support needed. - Innovations will be adopted.

⁴ Oilseed value chain. A (*) indicates an RIMS indicator