



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
AGRICULTURE CLUSTER DEVELOPMENT PROJECT
APPROVED ON APRIL 9, 2015
TO
REPUBLIC OF UGANDA

AGRICULTURE AND FOOD

AFRICA EAST

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Keith E. Hansen
Regional Director:	Catherine Signe Tovey
Practice Manager/Manager:	Shobha Shetty
Task Team Leader(s):	Joseph Oryokot, Jeehye Kim



I. BASIC DATA

Product Information

Project ID P145037	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 09-Apr-2015	Current Closing Date 31-Mar-2022

Organizations

Borrower Republic of Uganda	Responsible Agency Ministry of Agriculture, Animal Industry and Fisheries
--------------------------------	--

Project Development Objective (PDO)

Original PDO

The development objective is to raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified geographic clusters.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-56110	09-Apr-2015	26-Sep-2016	23-Jan-2017	31-Mar-2022	150.00	122.60	26.42

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



1. Introduction: The Agriculture Cluster Development Project (ACDP) is financed by an International Development Association (IDA) credit (IDA Cr. No. 5611-UG) of USD150 million that was approved by the Board on April 9, 2015. After delays in obtaining parliamentary ratification and meeting effectiveness conditionalities, the project became effective on January 23, 2017, and is scheduled to close on March 31, 2022. The Project Development Objective (PDO) is to raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified clusters. This restructuring paper seeks management approval for: (i) a no-cost extension of the project closing date by 18 months from March 31, 2021, to September 30, 2023, to allow completion of activities that were impacted by effectiveness delays and the COVID-19 global pandemic; and (ii) a reallocation of USD9.01 million to fund the rehabilitation of road chokes, agricultural statistics within the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), and operational costs for the project. This is the fourth restructuring of the project.

2. Project Status: Progress towards achievement of the PDO and overall implementation progress are currently rated Satisfactory. Environmental and social safeguards and fiduciary performance are rated moderately satisfactory. Following a slow start to implementation due to delays in achieving effectiveness, deployment of the Electronic Voucher Management Agency (e-VMA), and the long e-voucher learning curve, the project came back on track by the mid-term review (MTR) in September 2020. The project has continued to make good progress since then with notable improvements registered in disbursements from 52.34% at MTR in September 2020 to 71.8% as of April 29, 2021, to 82.27% as of February 15, 2022.

The total number of farmers enrolled in the e-voucher system stands at 463,274 (42% female). Of these, a total of 322,128 farmers have placed orders for agro-inputs, of whom 257,499 farmers have redeemed their e-vouchers for inputs representing 57.2% of target beneficiaries of 450,000. The increased farmer access to agro-inputs has had a notable increase in crop yields that have ranged from 48% in maize to 153% in coffee for project beneficiaries. In addition, the project has built capacities of over 754 farmer groups in mindset change and development of business plans of which 362 were selected as matching grants beneficiaries. Through matching grants, 167 produce stores have been established and 148 value addition equipment installed in the 25 pilot districts. This has led to an additional national storage capacity of 42,714 Metric Tons.

The detailed implementation progress is provided by component as below:

Component 1: Support for Intensification of On-Farm Production

- The total number of farmers enrolled in the e-voucher program stands at 463,274 (42% female) of the project target of 450,000 farmers. A total of 322,128 farmers have placed orders for agro-inputs with 220,785 farmers redeeming their e-vouchers and receiving inputs, representing 49% of the target.
- Crop yields for the five priority crops have increased from between 48% (maize) – 153% (Coffee Robusta) of the targets for the crops.
- A total of 230 district-level agro-input dealers have undergone compliance inspection, assessment, and been accredited and enrolled on the e-voucher system. Networking between 203 of these dealers and national level agro-input dealers was initiated through matchmaking meetings in 29 districts.
- Extension staff (104) from 52 districts were trained on seed quality and agro-input market regulatory framework.
- Inspection and certification of 5,372 MT of maize seed, 1045 MT of rice, 1,050 MT of bean seeds, and 9,531 acres of cassava mother gardens were carried out, adding to the increased availability of seeds.

Component 2: Value Addition and Market Access



- A total of 357 Farmer Organizations (FOs) (207 Area Co-operative Commodity Enterprises (ACCEs) and 150 Rural Producer Organizations (RPOs) have been awarded Matching Grants (MGs) worth USD20.3 million out of which USD 12.8 million have been disbursed to grantees.
- Up to 167 storage facilities with a total capacity of 42,714 MT have been completed with a total of 7,264 MT of produce bulked during the 2021A season, and 146 agro-processing facilities worth UGX13.83 billion have been established.
- Marketed volumes of produce have increased by 30% through collective marketing.
- Rehabilitation works consisting of 95 major structures on a length of 254 km of roads and involving 30km of swamp crossings in seven pilot districts, valued at USD3.5 million are between 85% – 100% completion.
- Signing of contracts for rehabilitative works on priority road chokes on 377 km of roads in 21 districts worth USD5.6million expected during October 2021, with commissioning at end of the month.

Component 3. Policy, Regulatory and Institutional support

- Rehabilitation works on the National Seed Laboratory have commenced and are estimated to be at 20%, however, rehabilitation may not be fully completed by the project closing date of March 31, 2022.
- A total of 394 agro-input dealers were trained of whom 261 were inspected and approved for registration, out of which 206 successfully completed the registration process. These have improved dealer presence in the districts.
- Installation of 7 solar-powered irrigation systems at all the seven ZARDs has been completed and under defects liability period. Five of these are already under use to support foundation seed production.
- Development of the Agriculture Water Management Information System and its application has been completed, with the application being used to map all water infrastructure and investments in 52 districts.
- The National Food and Agriculture Statistical System (NFASS) is now fully operational with dashboards and all tools including farmer registration piloted or tested. Over 32 data collection tools and dairies have been developed and digitized.

3. Rationale for Restructuring:

This is the fourth Level 2 restructuring of the project. It is in response to the Government's request dated December 6, 2021, to extend the project closing date and reallocate project proceeds to ensure completion of planned activities and achievement of the PDO. Although the project has made significant progress towards achieving its PDO, the long learning curve due to the novelty of the e-voucher system coupled with inadequate ICT capacity among the key stakeholders necessitated the project to invest more time in undertaking sensitization and training of stakeholders at the start of implementation. In addition to this, the 21-months delay to project effectiveness and the impact of the COVID-19 pandemic on implementation have affected the attainment of the PDO within the original project timeframe. The requested extension of 18 months will allow the completion of key planned activities and contractual commitments costed at USD 37.5 million that include:

- a) Consolidation of implementation of the e-voucher scheme across all clusters.
 - i) In line with the phased design of the e-voucher scheme, the extension will allow farmers from the third and final roll-out clusters of 33 districts who enrolled in the scheme during 2021A and 2021B to fully participate and complete the required three cycles of cropping during the 2022A and 2022B cropping seasons.
 - ii) M-Cash, the second e-voucher Management Agency contracted to speed-up implementation of the e-voucher scheme, will complete its contract planned to enable farmers in six of the twelve clusters to access agro-inputs during 2022B and 2023 A seasons.
- b) Strengthen value chains to achieve increased marketed volumes.



- i) The project will be able to operationalize the initiated productive alliances between the strengthened and emerging business-focused FOs and key-value chain actors. This approach will enable the establishment of a more efficient products supply and distribution system; financial linkages; better management of production, processing, and marketing risks; and quality standards.
 - ii) Under the Matching Grants scheme, 170 farmer organizations under the third cohort that signed agreements with the Ministry in March 2021 and awarded grants worth UGX 47.7 billion of which the project contributed UGX 32 billion, will require up to 12 months of close supervision and technical backstopping to ensure efficient and effective utilization of the grants received. This is estimated to end in March 2023 and significantly contribute to marketed volumes.
 - c) Completion of rehabilitation works on priority road chokes and National Seed Testing Laboratory. The MAAIF has made several contractual commitments, estimated at USD 37.5 million for the implementation and delivery of the PDO. These include:
 - (i) A total of UGX 43 billion committed for rehabilitation works on road chokes in community access roads in 29 districts and contracts for the completion of rehabilitative works on 1,104 Km of farm access roads in 21 districts, worth UGX 30 billion. All these are expected to be completed by May 2023 including their defects liability period.
 - (ii) Implementation of the contract for renovation works on the National Seed Laboratory at Kawanda worth UGX 2.8 billion commenced in June 2021. This is expected to run for 12 Months up to June 2022.
 - d) Undertake field deployment and roll-out of developed statistical packages and information systems. Four ICT platforms have been developed or being developed to offer solutions to identified implementation challenges, these include an e-extension system, mobile soil testing application, e-markets platform, data analytics system, and a financial inclusion system. Whereas system development will be concluded within the project implementation period, system deployment and roll-out (operationalization) will require up to 12 months to enable the Ministry to adopt their utilization.
4. Proposed changes: Based on the rationale described above, the following are the key changes to the project implementation that have been agreed upon:
1. A no-cost 18 months extension of the project closing date from March 31, 2022, to September 30, 2023; and
 2. Reallocation of USD 9.01 Million project proceeds as reflected in section III. In terms of the components, USD 9.01 Million from component 1.1. will be reallocated to (a) Component 2.3 (USD 5 Million) to cater for the rehabilitation of road chokes, (b) Component 3.3 (USD 2 Million) to support MAAIF's agricultural statistics activities, and (c) Component 4.1 (USD 2.01 Million) to meet the administrative costs for the period of the extension.
 5. Financial Management. There are no pending audit reports nor outstanding fiduciary or safeguard issues. The quarterly Interim Financial Reports have been submitted on time and the quality of these reports is satisfactory and meets Bank standards. The external audit has been conducted in line with International Audit Standards. Audit reports have been submitted on time as indicated in the Financing Agreement, and the reports were unqualified with no major reservations.
 6. Others. There are no environmental and social safeguards grievances. Results Framework remains as is.



III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-56110	Effective	31-Mar-2022		30-Sep-2023	30-Jan-2024

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)	
					Current	Proposed
IDA-56110-001 Currency: XDR	eVouchers Pt 1a Trg Pt1b& Pt1cii	50,450,000.00	20,409,860.11	43,987,420.00	100.00	100.00
	Gd,Wk,NCS,CS,Trg&OCPt1ci,1ciii,2,3a	22,819,400.00	22,818,316.56	25,695,643.00	100.00	100.00
	Wks,CS,OC Pt 3b	13,280,600.00	6,308,897.45	16,866,937.00	100.00	100.00
	Matching Grants Pt 3cii	19,850,000.00	8,152,503.89	19,850,000.00	100.00	100.00
	Total	106,400,000.00	57,689,578.01	106,400,000.00		