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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

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**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
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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	107.25	42.01

Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



The Agriculture Cluster Development Project (ACDP) is financed by an International Development Association (IDA) credit (IDA Cr. No. 5611-UG) of US\$150 million that was approved by the Board on April 9, 2015. Following delay 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.

Following a slow start to implementation due to delays in achieving effectiveness and deployment of the Electronic Voucher Management Agency (e-VMA), a critical element for provision of agro-inputs subsidies through the Electronic Voucher Management System (e-VMS), the disbursement rate was at 25.09% during the implementation mission in November 2019. Project implementation since then, turned around. In terms of the expenditure performance, the project has achieved a disbursement rate of 71.5 percent as at December 2020. This strong disbursement is attributed to the physical performances made in major project areas including the provision of agro-inputs through e-vouchers to beneficiary farmers, operationalization and disbursement of matching grants, and start of rehabilitation works on road chokes. The project management also improved significantly, and other areas of improvement have included the much-strengthened Monitoring and Evaluation (M&E) capacity, the revitalization of agricultural statistics, and the integration and use of digital technologies including the Geographic Information System (GIS).

As a result of these measures significant progress has been achieved in several areas. These have included a total of 296,378 beneficiaries enrolled under the e-Voucher system with 157,276 of these (53 percent of enrolled) having received agro-inputs under the time bound and diminishing subsidy. From this productivity has increased by 17 percent among participating farmers across the different commodities. A total of 597 business plans from farmer organizations (FOs) from all the 12 clusters have been approved for funding under the matching grant scheme for value addition and market linkage, and funds disbursed to 174 farmer organizations for development of post-harvest handling infrastructure and value addition facilities. Contracts for rehabilitation works on road chokes worth US\$3.22 million are at various stages of completion in the seven pilot districts. MAAIF functions have been strengthened with analytical equipment for the National Chemicals Analytical Laboratory secured and operationalized; contract for rehabilitative works for the National Seeds Laboratory signed and works are on-going; capacity for collection and analysis of administrative agricultural data and statistics has been established. The project has also identified and is developing protocols for the management of the Fall Army Worm (FAW) infestations.

The detailed implementation progress is provided by component as below:

Component 1: Support for Intensification of On-Farm Production

- The e-voucher scheme is operational in all the 57 project districts, with a total of 296,378 farmers have enrolled in the scheme, and 156,276 have received agro-inputs under the time bound and diminishing subsidy..
- Formation of new farmer groups where these did not exist and strengthening of existing farmer groups has been undertaken.
- A total of 983 community-based facilitators have been recruited and deployed in all districts to support strengthening and to serve as the first point of call for advice and information to farmers.
- Development and strengthening of agricultural inputs marketing have begun with capacity building of key stakeholders. Match-making workshops involving 72 agro-input dealers at national and district levels has been undertaken to strengthen agro-inputs



distribution network.

Component 2: Value Addition and Market Access

- The first batch of 138 business proposal were developed and evaluated. This was followed by a national level Agribusiness Match-making Expo organized to enable contracting between the first 118 grantee farmer organizations (FOs) and 26 vetted Post Harvest Management (PHM) equipment suppliers.
- Disbursement of grant award for the first batch of FOs was undertaken in January 2020 after due process, and a total of 4,846 members of 123 FOs in the first batch of grantees have been trained in BDS (48% women).
- A total of 597 business plans from all the 12 clusters have been approved by MTR with 96 and 378 FOs in the 2nd and 3rd batches, respectively.
- Identification, prioritization and ESS screening of road chokes has been undertaken in 50 districts, and field surveys for rehabilitative works completed in 38 districts.
- Designs and Bills of Quantities (BoQs) developed and generated in 21 districts, with Bid Evaluation completed in seven pilot districts and to be undertaken in 18 roll-out districts as soon as budgetary issues are finalized. Contracts worth US\$3.22 million have been signed and rehabilitative works are on-going in seven districts.

Component 3. Policy, Regulatory and Institutional support

- Detailed designs and generation of BoQs for the rehabilitation of the National Seed Laboratory have been completed and approved. Rehabilitation work is due to start as soon as the contract has been cleared and signed.
 - Certification of cassava (vegetative planting material) multiplication gardens presented by prequalified suppliers undertaken in 39 districts covering 2,835 acres undertaken. A total of 6460 MT of assorted seeds were inspected and certified.
 - Compliance inspection of agro-inputs premises has been undertaken in 36 districts, and samples of agro-inputs collected and tested with nearly all the 280 samples of fertilizers collected failing quality tests. A total of 42,000 litres of unregistered foliar fertilizers were impounded, and 9,400 kgs of expired fertilizer intercepted and incinerated at owner's cost.
- Guidelines for quality assurance of agro-inputs developed to be printed for dissemination.
- Procurement for feasibility studies and preparation of detailed engineering designs for five irrigation schemes and ESIA studies being finalized. Solar Powered Irrigation systems being installed at seven ZARDIs.
 - Capacity has been built including 20 statisticians, field officers and M&E staff trained in survey solutions, and 320 parish chiefs and 60 extension workers trained in data collection entry; 16 data collection tools reviewed with seven digitized;
- National level Farmer Registration system developed and is use, with data of 156,000 farm households already in the database; and



equipment including 3,520 tablets, 42 GARMINI GPS machines procured.

- Capacity for Fall Army Worm (FAW) surveillance built and a total of 293 out of the 500-annual target of extension workers trained in safe use and handling of pesticides during FAW control, and various demonstration materials including 8,700 litres of pesticides procured and provided to FAW affected districts.

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 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.

Rationale for Restructuring: A mid-term review (MTR) mission that was undertaken for the project from September 7 - 17, 2020 took stock of the project progress since approval, highlighted the key achievements, identified the key constraints faced in implementation of the project and analyzed the reasons for the delays in the roll-out of the e-voucher scheme, as well as the challenges to start of rehabilitative works on the priority road chokes. In spite of the significant improvements both in implementation and disbursement, the MTR took cognizance of the impact of the earlier delays to achieving project effectiveness to the overall project implementation period.

Based on the above analysis a project restructuring is proposed to address the following:

Effectively managing the effects of delays and slow start to project implementation: The project took nearly two years to achieve effectiveness due to mainly two factors (a) delays in obtaining Parliamentary ratification of the Credit and signing of the Financing Agreement following the conclusion of the national elections, and (b) delay in meeting the effectiveness conditions due to the complexity of the procurement process for an e-Voucher Management Agency (e-VMA) and its deployment. The project had to be restructured to modify the effectiveness condition relating to the appointment of the E-VMA who would be responsible for up to US\$85 million (56.7 percent) of project proceeds. Once the project was declared effective, disbursement remained very low, and following Government's request, of May 29, 2018, a second Level Two was undertaken to improve implementation by simplifying project design, and institutional and implementation arrangements.

Incorporating lessons from the implementation of the e-Voucher program: While the enrolment trend in the e-voucher program showed significant improvement, the pace of implementation needed to further accelerate given the remaining life of the project and the time lost at the start. The mission noted variances in farmer progression from enrollment to ordering and redemption of the e-vouchers for inputs, and slow farmer progression from Cycle 1 through to Cycle 3 of the e-Voucher program. The mission underscored the following: (a) the still inadequate knowledge of the e-voucher system functionality for placement of orders; (b) connectivity challenges and limited flexibility to allow switching from one input supplier to another; (c) need for flexibility in selection of input packages in cycles 1 and 2; and (d) limited time available for farmers to sell between seasons to mobilize resources to co-pay for next cycle.

Addressing the impacts of COVID-19 pandemic on livelihoods and empowering farmers to cope: The COVID-19 has impacted on the project in several ways. The measures put in place by the government to contain the pandemic including the lockdown and social distancing has had multifaceted impacts. Besides the direct impacts on farmer livelihoods, the fluid nature of COVID-19 restrictions on assembly and internal travel have increased the costs of



operations, including the need to deploy a service provider for e-advisory services to complement in-person training to ensure a constant flow of information around the e-voucher.

Ensuring the project fully achieves its development objectives: The MTR identified the need for stronger linkages across activities in Component 1 and 2 in order to leverage project touchpoints and maximize gains to capacity building for ACDP beneficiaries. In particular, the following outcomes have been identified as critical for building a seamless pipeline from farmer groups (FGs) with e-voucher beneficiaries to mature higher-level farmers organizations (HLFOs) including (ACCEs / RPOs) that are Matching Grant (MG) beneficiaries supplying high-value markets. Maximize linkages between Component 1 (on-farm production) and Component 2 (value addition and market linkage) will address the challenges of farmers marketing their outputs. Related to this is the increased support needed for removal of priority road chokes due to the significantly increased costs of the required rehabilitative works resulting from the destruction of the heavy rains and flooding of 2019, reported to have been the heaviest in twenty years.

In consideration of the above, a budget re-allocation of US\$21.8 million from Sub-component 1.1 - E-Voucher Program has been agreed upon. This is to be re-allocated as follows:

1. US\$9.0 is re-allocated to support COVID -19 response activities designed to enhance livelihoods as follows: US\$8.3 million will be to catalyze farmer group savings and farmer revolving funds under Sub-component 1.2. This intended to support farmers access to affordable credit and enhance their capacity to co-fund inputs through the e-Voucher scheme. A sum of US\$0.77 million will be reallocated to Sub-component 2.1 to support strengthening of farmer organizations;
2. US\$0.6 million is re-allocated to Sub-component 1.3 to promote development of agro-input distribution networks to enhance efficiencies in agro-input marketing;
3. US\$2.8 million is re-allocated to Sub-component 2.3 to support removal of priority road chokes due to the significantly increased costs of the required rehabilitative works resulting from the destruction of the heavy rains and flooding of 2019.
4. A total of US\$5.02 million is re-allocated to Component 3 as follows: Sub-component 3.1, additional US\$1.05 million to complete rehabilitation of National Seed Laboratory; Sub-component 3.2, US\$1.27 million to support installation of solar powered irrigation systems at the Zonal Agricultural Research and Development Institutes (ZARDIs) to support foundation seed multiplication and development of Climate Risk Profiles to inform the design of the new operation; Sub-component 3.3, US\$2.5 million to enable Agricultural Statistics Unit (ASU) to operationalize the structures put in place for collection and reporting of administrative data; and Sub-component 3.4, US\$0.3 million to refund the resources lent for the emergency intervention on the Desert Locust invasion; and
5. A total of US\$4.3 million is re-allocated to Component 4 as follows: Sub-component 4.1 US\$0.3 million to support deployment of routine monitoring tools; Sub-component US\$2.0 million to specialized studies including end of project evaluation and midline survey; and Sub-component 4.3, US\$2.0 million for the development of Disruptive Agricultural Technologies (DATs) challenge systems.

III. DETAILED CHANGES



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	59,750,000.00	11,832,661.78	50,450,000.00	100.00	100.00
	Gd,Wk,NCS,CS,T rg&OCPt1ci,1ciii, 2,3a	15,450,000.00	14,975,694.84	22,819,400.00	100.00	100.00
	Wks,CS,OC Pt 3b	11,350,000.00	5,392,900.98	13,280,600.00	100.00	100.00
	Matching Grants Pt 3cii	19,850,000.00	1,340,858.42	19,850,000.00	100.00	100.00
	Total	106,400,000.00	33,542,116.02	106,400,000.00		