

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol: L

1. PROJECT TITLE Food Production and Support			2. PROJECT NUMBER 617-0102	3. MISSION/AID/W OFFICE Uganda	
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 87-2 PD BBC 9 12 <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION			7. PERIOD COVERED BY EVALUATION From (month/yr.) Oct., 1984 To (month/yr.) April, 1987 Date of Evaluation Review March/April, 1987		
			5. ESTIMATED PROJECT FUNDING A. Total \$ 11,999 B. U.S. \$ 11,999		
6. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY 83 B. Final Obligation Expected FY 86 C. Final Input Delivery FY 88					

B. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)

B. NAME OF OFFICER RESPONSIBLE FOR ACTION

C. DATE ACTION TO BE COMPLETED

- I. Recommendations and Actions on Current Project:
- A. The PACD of 30 September 1986 should remain unchanged and no additional funds should be added to the project.
- B. The ACDI cooperative agreement should be allowed to end as scheduled on 30 September 1987. Unexpended technical assistance funds remaining should be earmarked for short-term TA and studies needed in preparation of the follow-on project.
- C. The Planning Advisor, who is currently working at UAFA, will return to the MCM Planning Department on a nearly full time basis to assist in the transition to a follow-on activity, particularly by further analyzing the 1985 Cooperative Survey and by helping to organize the Planning Department.

NA

NA

NA

NA

AID/ACDI/MCM

6/30/87

BEST AVAILABLE DOCUMENT

B. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input checked="" type="checkbox"/> Other (Specify) PID/PP for New Project
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify)
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. Continue Project Without Change

B. Change Project Design and/or
 Change Implementation Plan

C. Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER BANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

[Signature] Apr 123, 1987 Ken Lyvers Project Officer USAID/Kampala	[Signature] S. B. Ritega Permanent Secretary Ministry of Crops & Marketing
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12. Mission/AID/W Office Director Approval

Signature: [Signature]
 Typed Name: **Richard L. Podol**
 Date: **24 Nov 87**

D. With respect to commodities, the uncommitted balance of US\$ 700,000, as well as the line of credit and other funding totalling approximately US\$ 1 million, should be used to finance agricultural inputs, raw materials, technical assistance, and studies as required in at least partial preparation of the follow-on project. No further vehicles should be imported, except to provide selected assistance in war-torn areas.	AID/MCM	NA
E. The charcoal briquette factory at Namulesa should be turned over to the Busoga Cooperative Union this year. A technical evaluation to assess sustainability and replication should be conducted after one year.	MCM/Busoga	12/
F. A detailed implementation plan should be prepared for the MCM Luwero cooperative rehabilitation project, using TA and commodity resources from the FPSP project, if need be.	MCM/AID/DCU	6/1
G. To help lay the groundwork for a follow-on project, and to move ahead with some of the evaluation design report recommendations, the following actions should be undertaken:	MCM	5/1
I. Conduct a feasibility study on accelerating local production of seed.	AID/EEC/MCM/MAF	8/3
2. Contract with a PVO/Local firm to procure and test small scale sugarcane and oilseed processing equipment.	AID/MCM	6/3
3. Prepare terms of reference and conduct feasibility studies on small scale production of vegetable oil and sugar.	AID/MCM/MAF	9/3
<u>II. Recommendations for Future Support:</u>		
A. Final decisions on support for UAFA should be deferred pending (a) approval by the Cabinet, (b) provision of funding in the GOU budget, (c) agreement of commercial banks to invest in UAFA, and (d) macroeconomic stabilization and a return to reasonable inflation and exchange rates.	AID/MCM/GOU	NA
A Transition Secretariat consisting of the Planning Advisor and counterparts from MCM and UCA should be established to help prepare the follow-on project.	AID/ACDI/MCM	6/3

BEST AVAILABLE DOCUMENT

8

C. To ensure continuity, a Project Identification Document should be prepared.

AID

6/15/81

D. A PP for a five-year project should be prepared and approved to facilitate a 3rd quarter obligation in FY88.

AID

11/31/81

E. The follow-on project should help address national objectives of agricultural diversification and import substitution by seeking to place input supply and output marketing on a sound commercial basis and by seeking to stimulate agribusiness development. Main elements of the project should include agribusiness support, policy and planning (including marketing), agricultural credit and input supply, cooperative education and training, and auditing/accounting services.

AID/MCM

NA

BEST AVAILABLE DOCUMENT

Agriculture in Uganda

Agriculture is the most important sector in Uganda's economy in terms of employment, foreign exchange earnings, contribution to gross domestic product, and provision of raw materials for agro-industries. About 70% of Uganda's area is considered suitable for agricultural and livestock activities, extending across a number of ecological zones with varying soil types, soil fertility, rainfall, and cropping patterns. About 27 percent of the land is considered medium to high potential, about 46 percent of the land is of fair to medium potential, and the remainder is of low potential. Some 90% of Uganda's people are rural, and a large proportion of the rural population is engaged in agricultural activities, at both subsistence and commercial farming levels. Most production of food, cash crops and livestock is undertaken by small scale farmers who farm less than two hectares per household.

Over the next five to fifteen years, agriculture in Uganda will have to come to grips with three central issues. Agricultural diversification is needed to meet import substitution objectives and to reduce dependence on a handful of traditional export crops (mainly coffee). Restoration of a select number of essential services (input supply, research, and market access) is needed to foster increased and diversified production. Finally, macro-economic and sectoral policies must provide incentives to encourage surplus production for domestic and foreign markets.

Cooperatives in Ugandan Agriculture

After the 1979 Liberation War, Uganda's cooperative movement stood out as a functioning institution at a time when most other national-level institutions were defunct. Since 1980 the cooperatives have played an important and growing role in support of agricultural development by providing input distribution and marketing services for hundreds of thousands of farm families throughout Uganda (there are about twice as many cooperatives registered today as there were in 1979).

There are several desirable attributes of cooperatives which should allow them to play a significant future role in input supply and output marketing. First, the cooperatives are farmer-owned and oriented. Second, the cooperatives have a reasonably well articulated network of primary societies and district unions through which inputs can be delivered and output marketed in the major producing areas. Finally, about one-third of the cooperative movement has remained financially viable and creditworthy despite the political and economic upheavals of recent years and can serve as the nucleus of a commercially-oriented agricultural input and marketing system. Cooperatives, of course, cannot be the sole providers of farm services; a reinvigorated private sector should provide the competition needed to ensure that farmers receive good service at fair prices everywhere in the country.

*The final evaluation /design report under RONCO Consulting Company cover may be reviewed for additional details.

Other attributes of cooperatives appear to stand in the way of effective input supply and marketing. First, there is in general too much emphasis on cooperatives as service organizations and too little attention to the need for cooperatives to operate as commercial entities. In this regard, there is a special need for improved financial management and effective audit services throughout the cooperative structure. Second, the cooperative movement, at least under the previous government, was too vulnerable to political manipulation, arbitrary administrative action, and government supervision. Finally, the cooperatives are entirely too dependent on a small number of traditional export commodities (chiefly coffee and cotton). To make progress, unions and societies must be managed on a sound business basis, the cooperative movement must be relatively free from political influence and unnecessary government involvement, and agricultural diversification must be pursued with an eye to agribusiness development for domestic and export markets.

The Food Production Support Project

In 1979 AID initiated a US \$3 million Commodity Import Program to finance agricultural inputs (chiefly hoes), which were made available to farmers through the cooperative movement. The CIP was followed in 1981 with the Food Production Support Project (FPSP), to consolidate and extend the achievements of the commodity import program. FPSP continued the input distribution activity, and included as well a considerable amount of technical assistance (both long- and short-term) and training (both overseas and in-country). These activities were undertaken by Agricultural Cooperative Development International (ACDI) under a cooperative agreement with AID. The FPSP was amended several times to add activities, increase the funding (to a total of nearly US \$12 million), and extend the project (to a PACD of September 1988).

Accomplishments of the Food Production Support Project

The main accomplishments of the FPSP are reviewed briefly below as they relate to commodity assistance, technical assistance, and local currency.

Commodity Assistance. The hoes, bicycles, seeds, and other commodities brought into Uganda through FPSP and the predecessor CIP have been of great value, despite many problems of leakage, speculation, and profiteering. The input distribution program boosted farmer morale, boosted agricultural production, boosted the image of the cooperative movement, and boosted AID's standing as well. Although such statements are difficult to prove, the very rapid growth in cooperative society membership and registrations that began when AID-financed commodities began to move through the cooperative network suggests that the general population had few reservations about the value of the program.

Impact of the commodity program was weakened by three factors. First, the implementing agency (Ministry of Cooperatives and Marketing) and AID itself played too large a role in input pricing; administrative judgments were

substituted for market pricing, and this hindered efficient distribution and use of the inputs supplied. Second, too many of the commodities (e.g. bicycles, motorcycles) went to MCM officers and senior cooperative officials at the expense of the cooperative membership generally. Finally, too much money was spent on vehicles (trucks, pickups, jeeps, and motorcycles) at the expense of production inputs (hoes, seed, fertilizer, chemicals) that could have been of more value to the farming population.

The FPSP provided useful production inputs to primary societies, but did little (apart from training) to strengthen primary societies directly. With the benefit of hindsight, this might be counted as a flaw in project design, since a continued lack of basic equipment and facilities (scales, record-keeping materials, storage) seriously undermines the ability of primary societies to provide effective input supply and marketing services.

Technical Assistance. A handful of activities seem to have had real impact, or hold special promise for future impact. First, the training and education programs have improved morale and performance of cooperative members and managers at all levels. This kind of training is absolutely essential for the long-term health of the cooperative movement; only a knowledgeable and involved membership, ably led, can ensure effective cooperative performance in delivering agricultural services.

Second, the 1984 ACDF cooperative sector review crystallized a large number of key policy issues and placed them before Ugandan decision-makers in a form that could not be ignored or dismissed. The Bank of Uganda's Agricultural Secretariat, the Ministry of Cooperatives and Marketing, the Uganda Cooperative Alliance, and AD are all following through on recommendations contained in that report.

Third, the 1985 cooperative management survey took the first important steps toward setting up an operations-oriented management information system which the MCM and UCA need to help make sound judgments about the performance of societies, unions, and the cooperative structure as a whole. Accurate performance data are needed to identify problems, to formulate policy responses, and to measure the cost and benefit of policy and procedural changes. Unfortunately the 1985 evacuation brought a premature end to this important work.

Fourth is the ACDF work on establishing the Uganda Agricultural Finance Agency (UAFA) to provide agricultural credit. Right now is not the best time to launch a new financial institution (military disturbances, macro-economic disarray), but from a broader perspective it is clear that Uganda needs a more comprehensive financial infrastructure that is responsive to the capacities and needs of the rural, agricultural population. However, it is possible that too much effort was devoted to establishing UAFA at the expense of other objectives, especially assisting the Department of Planning in the Ministry of Cooperatives and Marketing.

Despite these noteworthy achievements, the technical assistance provided through FPSP was not, on the whole, as productive as might have been expected. Three factors are involved. First, there was a diffusion of effort across a broad range of well-intended activities, some of which might (with the benefit of hindsight) be judged peripheral. Second, circumstances required the Team Leader and others as well to spend inordinate amounts of time on what should have been minor logistical problems—not a good use of highly-paid technical advisors. Third, mounting civil and economic disorder, culminating in two coups and the evacuation of expatriate staff, had a very disruptive effect on the efforts of the ACDI advisors. All in all, Uganda's farmers might have been better served had more money been spent on production inputs and less on technical assistance.

FPSP provided no technical assistance addressing marketing issues, nor was it intended to. But this seems an oversight in view of the seemingly intractable marketing problems (pricing, transport, storage, inefficient parastatal marketing boards) that continue to stand in the way of agricultural development in Uganda.

Local Currency. Local currency funds obtained through the sale of AID-financed commodities were deposited in accounts accessible to MCM and AID, and were used for a variety of purposes in support of the FPSP. The 1984 mid-term evaluation expressed concern that the local currency accounts were not well-managed, and recommended a comprehensive audit. Subsequently a number of control and accountability problems were revealed. Most of these appear to have been corrected, but further action is needed to consolidate the three existing accounts into one Special Account.

Much of the local currency was spent on in-country training programs, with good results. An especially worthwhile activity is the on-going review of the 1974 Cooperative Act. However, much seems also to have been spent on a variety of activities of doubtful utility. In general, local currency funds should be programmed in support of a relatively small number of high-priority activities directly related to project objectives.

Conclusion. FPSP, although not without its difficulties, has made commendable progress toward achieving project goals and objectives. More importantly, FPSP has helped AID, MCM, and leading institutions in the cooperative movement to clearly recognize the basic policy and institutional issues that must be resolved before Uganda's cooperative movement can effectively serve agricultural development objectives. This suggests that the current project and cooperative agreement should be brought to an orderly close, and that efforts should begin immediately to design a follow-on project addressing the key constraints that have been revealed through experience with the FPSP.

Recommendations

The follow-on project should revolve around the main themes emerging in this evaluation:

— AID assistance should be provided primarily to the cooperative movement itself (unions and societies), and only secondarily to the MCM—and then only in support of necessary policy and regulatory functions.

— AID assistance should give greater weight to material assistance of direct value to farmers (production inputs and cooperative facilities), and relatively less weight to technical assistance and vehicles.

— AID assistance should focus on a select number of high-priority policy and institutional concerns to avoid diffusion of effort and impact.

— AID assistance should have, as an overall goal, support for Uganda's national agricultural development objectives of agricultural diversification, import substitution, and export expansion. This can be addressed by seeking to place input supply and output marketing on a sound commercial basis, and by giving special attention to cooperative agribusiness.

The follow-on project should include these main elements:

— Agribusiness support, including feasibility studies, project development, and pilot activities. This element should focus on the national and district unions.

— Policy and planning, to address the policy and institutional aspects of marketing and cooperative development through support to MCM and UCA.

— Agricultural credit and input supply, involving primarily district unions and primary societies. The credit program should not be allowed to dominate the project, and careful consideration should be given to whether there is a real need for US technical assistance. With regard to input supply, substantial funds should be earmarked, and a CIP-like mechanism for importing commodities should be chosen. Commodities should be made available at market prices. Rehabilitation of primary society facilities through (for instance) a matching grant program should be included in this element.

— Cooperative education and training, to be implemented primarily by UCA and focused on the needs of the district unions and primary societies.

— Auditing and accounting services, also to be implemented primarily by UCA and focused on the needs of the district unions and primary societies.

More detailed recommendations for project management (addressing the current project and the proposed follow-on project) are presented in the Project Evaluation/Design Main Report.

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Initial Environmental Examination (IEE)
Coop Agriculture Agribusiness Support Project 017-0111

I Project Summary

This proposed seven year, \$19.5 million project has as its goal to support Ugandan national objectives of import substitution, export expansion, and agricultural diversification. In support of this objective the project's purpose is to provide assistance to the cooperative movement by placing input supply and output marketing on a sound commercial basis, and to stimulate cooperative diversification through agribusiness development. As a result the project will:

- a. improve agricultural policy;
- b. increase agricultural production, and
- c. strengthen agricultural institutional performance.

The project is divided into five discreet but related components as follows:

1) Agribusiness Support (\$1 million)

The project will provide technical and assistance to the Ugandan Cooperative Alliance (UCA) using private consulting firms that undertake feasibility studies for agribusiness investments. This assistance will enable cooperatives to prepare financially viable projects that can be funded through the commercial banking system.

2) Policy and Planning (\$1.5 million)

Grant funds will finance the contracting of a three person long term policy and planning technical assistance team. The team leader, a Policy and Marketing Advisor will advise the Ministry of Cooperatives and Marketing on issues related to the cooperative movement, domestic and foreign marketing, and marketing Board performance, a planning advisor would assist in setting up an operation oriented management information system to help identify policy and performance problems in agricultural input supply and commodity marketing. A Cooperative Agribusiness Development Advisor would assist the UCA in efforts to develop their analytical and planning capacity.

3) Input Supply and Agricultural Finance (\$14.5 million)

The major objective of the project will be to improve agricultural input supply. A CIP mechanism will be used to import commodities to be sold through cooperatives to farmers at market prices. The revenues generated by the in-country sale of these items will be placed into a local currency revolving fund with the central bank to help eligible entities obtain local currency credit to purchase additional CIP imported commodities. In conjunction with this activity technical assistance will be required by the Uganda Cooperative Central Union (UCCU) to facilitate the distribution of agricultural inputs.

4) Education and Training (\$1.75 million)

An educational and training program will be implemented by the UCA to strengthen cooperatives at primary and union levels by providing stronger continued management and technical training. The grant will finance short-term rather than long-term technical assistance and some commodity assistance to the UCA.

5) Accounting/Audit Services (\$0.75 million)

The accounting/audit component focuses at three levels including the Ministry of Cooperatives and Marketing, central and district unions, and primary societies.

II Environmental Analysis

Per Section 216.2 C Categorical Exclusions, Subsection (2), the following classes of actions are not subject to the procedures set for within the 216 Environmental guidelines: technical assistance on training programs, analyses and studies, and assistance provided under a commodity import program when prior to approval AID does not have knowledge of the specific commodities to be financed. Therefore, no further environmental studies are required and a negative determination is recommended.

INITIAL ENVIRONMENTAL EXAMINATION
OR
CATEGORICAL EXCLUSION

Project Country: Uganda

Project Title and Number: Coop Agriculture Agribusiness
Support (617-0111)

Funding: FY (s) 1988-91 \$19,500,000

IEE/CE Prepared By: Lawrence Odle/Environmental Officer/Kampala

Environmental Action Recommended:

Positive Determination _____
Negative Determination _____

OR

Categorical Exclusion _____

This activity meets the criteria for Categorical Exclusion in accordance with Section 261.2. (C2) and is excluded from further review because:

See Attached Analysis

Action Requested By: Fred E. Winch Date: _____
(Acting Mission Director)

Concurrence: _____
(Bureau Environmental Officer)

APPROVED _____

DISAPPROVED _____

DATE _____

Clearance: GC/AFR _____ Date _____

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IEE/CE Prepared By: Lawrence Odle/Environmental Officer/Kampala

Environmental Action Recommended:

Positive Determination _____
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Concurrence: _____
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APPROVED _____

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