

# Vegetable Oil Development Project

## Introduction

### *The project*

The Vegetable Oil Development Project (VODP) was approved by the IFAD Executive Board in April 1997; it has had a number of extensions and is now due to complete on 31 December 2011 and close on 30 June 2012. The overall objective of the project is to increase household cash income among smallholders by revitalizing and increasing domestic vegetable oil production in partnership with the private sector. The project has three very different subprojects: (i) the introduction of commercial oil palm production on Bugala Island in Lake Victoria (ii) the development of traditional oilseeds in northern, eastern and mid-western districts of Uganda, and (iii) research and development (R&D) of essential oil crops, piloted in a variety of districts.

Implementation of the Oil Palm Subproject has been affected by a number of delays, as a result of which oil palm planting on smallholder farms only began in 2006 and harvesting of fresh fruit bunches (ffbs) – the principle source of income for farmers – had not yet begun at the time of this Evaluation. In contrast, the other two subprojects have been going for eleven years.

Originally, the total project cost was to be US\$60 million, consisting of an IFAD loan of US\$20 million, US\$33.1 million of cofinancing from the private sector partner, US\$3.8 million from the Government of Uganda and US\$3.1 million from beneficiaries. However, due to an increase in the scale of the Oil Palm Subproject, the private investor and the Government increased their contributions to US\$120 million and US\$12 million respectively, bringing the total cost to about US\$156 million.

## Objectives and methodology of the evaluation

*Objectives and process.* The interim evaluation was undertaken by the IFAD Office of Evaluation (IOE), as a standard procedure in preparation for a possible follow-up phase of the project. Its objectives were: (i) to assess the performance and impact of the project; and (ii) to generate a series of findings and recommendations to guide a second phase of the project. The main Evaluation Mission was conducted from 2 February to 4 March 2009. The team visited the oil palm project area on Bugala Island, Kalangala district and six districts where traditional vegetable oilseeds and essential oil crops are being grown.

*Methodology.* The evaluation follows new guidelines of IOE for project evaluations. It reports on implementation results and assesses project performance (relevance, effectiveness and efficiency); rural poverty impact (five impact domains); innovation and sustainability and the performance of implementing partners. Each of these evaluation criteria are rated on a six-point scale.<sup>1</sup>

The evaluation has drawn on project monitoring and evaluation (M&E) data, a Mid-Term Review, three Baseline Studies and one Impact Assessment Study. Two extra studies were commissioned in order to assess social impact in the traditional oilseeds area: a participatory rural appraisal (PRA) of household level impacts, and a macro-level analysis of poverty and vegetable oil consumption based on the Uganda National Household Survey data.

### *Country background*

The main background factors of relevance to the VODP project are: agriculture's diversity and changing role in the economy; its vulnerability to climatic shocks, insurgency and insecurity in parts of the project area, and the existence of a generally favourable policy environment. Uganda has achieved high rates of growth since the 1990s with large inflows of foreign direct investment and development assistance. Throughout this period, the policy environment has been stable and has favoured agricultural modernisation and poverty reduction. Particular emphasis has been placed on import-substituting subsectors such as vegetable oils.

Uganda's population is predominantly rural (87% in 2002) and agriculture provides their main source of livelihood. Ugandan agriculture is dominated by small scale farming – primarily food crops – and has become increasingly integrated into the market. Traditional export crops (coffee, cotton, tea, tobacco) have declined because of disease or fluctuating world prices, and are being replaced by non-traditional exports such as fish, maize and cut flowers.

There are large regional variations in the prospects for agricultural growth and poverty reduction in Uganda. The northern region, where VODP's work with traditional oilseeds has been focused, has less fertile soils, less rainfall and more erratic weather leading to recurrent drought and floods. In addition, the region has been affected by a twenty-year insurgency led by the Lord's Resistance Army (which has only recently subsided) and periodic banditry and cattle rustling by Karamojong herders in the north east. As a result of its impressive growth and strong pro poor policies, poverty declined from 56% in 1992 to 31% in 2005. However, poverty reduction has been much slower in the northern region.

## **Project performance**

### *Design features*

The project adopted a broad, value chain approach to the vegetable oil subsector that meant working with a variety of vegetable oil crops, stakeholders, institutional levels, and geographical areas. It required coordination with many public and private institutions at national, district and local levels.

The three subprojects have very different objectives, modes of implementation, geographic areas and supporting institutions. The oil palm subproject aims to establish a new industry from scratch with heavy dependence on a single private sector partner. It operates in a small geographic area, with new forms of land use and a plantation/smallholder mode of production. When fully implemented, it may reach 1,000 beneficiaries. The Traditional Oilseeds Subproject aims to expand smallholder production and processing of existing oilseed crops. It works in an extensive, agro-ecologically diverse region, with a variety of implementing partners, using traditional research/extension methods, and has more

tenuous links to the private sector. It currently has over 200,000 beneficiaries. The Essential Oils Subproject aims to explore the potential for production of little known essential oils. It is a small-scale, experimental, and research-oriented initiative and is piloted in a variety of geographic areas. To date, there are some 1,000 beneficiaries.

There were major changes to the design of the Oil Palm Subproject following negotiations with the private investor (BIDCO/OPUL).<sup>2</sup> The main changes were that the nucleus estate was to be expanded from 1,000 ha to 6,500 ha, which together with the 3,500 ha intended for smallholders and outgrowers would give 10,000 ha of oil palm on the island instead of 4,500 ha. Second, the intention to use degazetted public land for the nucleus estate was dropped, so land had to be purchased from private owners. Third, the pace of subproject development was accelerated so that targets would be reached within four rather than eight years.

## **Project implementation**

*Factors affecting implementation results.* The main problems for the Oil Palm Subproject were a five-year delay in finalising negotiations with BIDCO and a further two-year delay in establishing the key institution for mobilising smallholder participation in the project, the Kalangala Oil Palm Growers Trust (KOPGT). 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 third factor was difficulty in acquiring sufficient land on the island for the expanded nucleus estate.

As far as the traditional oilseeds and essential oils subprojects are concerned, the main factors affecting implementation were exposure to insurgency, drought and floods. Latterly, the Traditional Oilseeds Subproject was also affected by the sub-division of the districts in 2005-06 and the re-organization of agricultural extension services, both of which debilitated the District Agricultural Offices (DAOs) - a key implementing partner for the project. The emergence of competing alternatives to the VODP-supported products and activities also undermined their attractiveness to farmers.

*Implementation results.* For the Oil Palm Subproject, the nucleus estate stood at 92% of the target establishment by early 2009. Some 6,000 ha of plantable land had been given to OPUL and 5,600 ha had been planted with oil palm. Plantation infrastructure and a workforce of about 1,500 were in place. The oil extraction mill on the island was still under construction. The refinery at Jinja was already operating on the basis of imported crude palm oil.

KOPGT became operational in June 2006 and has performed an important role in organising farmers' participation in the project, providing loans for plantation establishment and extension advice, and generally mediating the interests of the farmers, OPUL and the Government. However, the pace of smallholder mobilisation is far below target. Only 66% of the expected 3,500 ha has been registered and surveyed for planting and only 33% has been planted. In particular, the target for outgrowers is much below that of the smallholders.<sup>3</sup>

Due to the controversy surrounding the potential environmental impact of the oil palm subproject, a detailed environmental management plan was put in place and has been monitored closely. Oil palm research activities have taken place as planned but could have been better implemented. The Government complied with its commitments to provide or improve key public infrastructure, including a new ferry, which has greatly increased commercial activity on the island.

The Traditional Oilseeds Subproject was remarkably successful in promoting sunflower growing across a wide geographic area, which stimulated growth in input dealing and milling. The number of beneficiaries supported by VODP expanded from about 5,000 in 1998/99 to 206,000 in 2007/08, amongst whom 39% were women. Shortages of oilseeds were somewhat eased by the testing and release of new varieties by the research institutes and by the process of seed multiplication and distribution by the Uganda Oil Seeds Producers and Processors Association (UOSPA). Farmers' reluctance to grow sunflower because of concerns about reduced soil fertility and lack of market demand were overcome through general extension and support provided by the DAOs. The area planted with VODP support rose from some 2,000 ha in 1998/99 to 81,500 in 2007/08. Moreover, the yields per ha planted also increased.

Despite this impressive performance, the Evaluation has raised two concerns. First, seed shortage continues to be a problem, a situation that could have been affected by the project's initial policy of free seed distribution and slow progress by the research institutes with the development of local open-pollinated varieties of sunflower seed. Second, there appears to have been a decline in extension activity in recent years despite a continuing need for services, possibly because of institutional changes in the DAO offices.

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.

### **Relevance, effectiveness and efficiency**

*Relevance.* The project has high policy relevance to the Government of Uganda and IFAD, high relevance to the private sector (directly in the case of oil palm and indirectly in that of traditional oilseeds), and high relevance to the needs of the rural poor (especially in the poorer, war-torn northern region). The broad subsectoral approach raised the political and economic profile of the vegetable oil subsector and promoted knowledge synergies between the various subprojects. However, it implied a formidable task of coordination that might not have been possible had the Oil Palm Subproject not been delayed for many years. The task of planning, implementation and monitoring of the three subprojects would have been considerably eased with a clearer project structure and better specification of indicators and targets.

*Effectiveness.* The effectiveness of the Oil Palm Subproject has been 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. On the other hand, positive results have been obtained with regard to the establishment of KOPGT and the environmental monitoring system.

The Traditional Oilseeds Subproject has been remarkably effective, despite intermittent problems of insurgency and bad weather. The number of beneficiaries far exceeds the original target of 60,000 households and the increase in the area planted with sunflower has been spectacular, despite fluctuations during some years. The project realized significant achievements in all its outputs and it had a catalytic role in encouraging oilseed production, processing and milling by other actors. These achievements could have been even greater with more applied research on soil fertility and new sunflower varieties, more encouragement of private seed suppliers, and a more sustained and deepened extension effort in recent years. Notwithstanding these reservations, the effectiveness of this subproject is outstanding.

The Essential Oils Subproject 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 was identified provided that certain bottlenecks are addressed. The subproject has demonstrated that under the right conditions, some of these high value crops could offer impressive returns to farmers in poor agro-ecological conditions.

Overall, the outstanding performance of the Traditional Oilseeds Subproject outweighs the delayed effectiveness of the Oil Palm Subproject and the small-scale results of the Essential Oils Subproject.

*Efficiency.* The cost per beneficiary varies greatly between subprojects due to the different scale of the investment overheads, the implementation strategy adopted and the speed of beneficiary participation. The costs per beneficiary for the different subprojects are: US\$7,923 (oil palm), US\$37 (traditional oilseeds) and US\$575 (essential oils). In general, project efficiency has been affected by the delay in the Oil Palm Subproject, the splitting of the districts in the traditional oilseeds area and delays in procurement. However, these inefficiencies have been somewhat offset by the efficiency of the small project management unit.

## **Project impact**

### **Rural poverty impact**

*Oil palm subproject.* The anticipated impact on the incomes of participating farmers is yet to be realized since harvesting of the ffbs will only commence in later this year (2009). So far, the main impacts have consisted of changes in land use and the introduction of a new crop, farmers' improved land rights, access to KOPGT loans, and empowerment through their newly formed unit and block committees and membership of KOPGT. Nucleus estate workers have benefited from employment, wages, housing, subsidized food, free health care and social security.

There have been some wider indirect effects of the project – both positive and negative – although it is difficult to assess their extent. Moreover, they are the product of other changes which were already going on in the island due to the growth of fishing. Positive impacts have included an increase in population, improved transport, utilities, increased business, tourism and trade, better access to financial and government services, and increased investment in housing. Negative impacts include

increased pressure on education and health services, reduced access to forest resources, increased road hazards, and anti-social behaviour associated with the nucleus estate workers. Overall, the positive impacts outweigh the negative ones but in any case, the effects seem to be small.

*Traditional oilseeds subproject.* The Traditional Oilseeds Subproject has had substantial rural poverty impact on all the impact domains. Farmers have been able to add to their household and farm assets and invest in human capital. Agricultural production and food security have improved and their capacity to manage their own economic affairs has improved through farmer organization. Environmental impacts are negligible in the short run. The various implementing partners are now giving vegetable oil crops higher priority. Other actors in the sunflower value chain have benefited indirectly, thereby improving overall market efficiency and linkage.

*Essential oils subproject.* Impacts on participating farmers are not expected to be widespread at this early stage of development. However, the citronella farmers have realized similar benefits to the oilseed farmers, with visible improvements in housing, farm investments and empowerment through local groups and links to broader producer organizations. There are, however, some concerns about the environmental impact of the distilleries.

*Goal level impacts.* The goals of the project were to increase: national production of vegetable oil crops (sunflower in particular), domestic vegetable oil consumption; import substitution of vegetable oils, and rural poverty reduction.<sup>4</sup> The macro-analysis showed that there was a general increase in sunflower production during the project period and an increase in household consumption of cooking oil, particularly in the VODP districts. There was evidence of improvements in living standards in the VODP districts, but the poverty headcount figure (proportion of households below the poverty line) actually increased because of wider contextual factors such as adverse weather and insecurity. VODP's contribution to poverty reduction was therefore likely to have been quite locally-specific. Because of data deficiencies it was not possible to assess the extent of domestic demand, production and import substitution of vegetable oils in Uganda.

## **Innovation and sustainability**

*Innovation.* The Oil Palm Subproject is the first major PPP in Uganda and is also the first for IFAD. It has pioneered new forms of cooperation between the private sector, local and national government and farmer organizations. The PPP brought a major new investor to the country. Although the plantation mode of production is widely practiced 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.

The type of project intervention in the Traditional Oilseeds 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 component on the development of food standards. Also novel - at least to Uganda - was situating these activities within a more integrated subsectoral approach. The subproject's main strength was in replicating and scaling up the approach to a large geographical area. 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. Further up scaling is now in the hands of the private sector.

The development of niche markets of high value essential oil crops for poor farmers was very innovative. There is little cultivation of essential oil crops in Uganda and most essential oils used by industry are imported. Specialised knowledge and contacts with international markets are only now being developed as a result of the project.

*Sustainability.* The overall sustainability of the Oil Palm Subproject depends on that of the private investor, on whom the harvesting, processing and eventual sale of the palm oil depends. Its commitment and sustainability are underpinned by the heavy financial investment so far incurred (some US\$75 million), supported by well-functioning forward market linkages already established on the basis of the sale of refined (imported) crude palm oil. 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. However, their participation will also require continued extension advice to smallholders and improved trust and cooperation between outgrowers and OPUL. The sustainability of the subproject also depends on a continued future for KOPGT, which is currently not financially sustainable without donor funding.

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, not least because of the increased output from farmers, although some weaknesses remain. Nevertheless, sunflower production is likely to be sustainable into the medium term. In the longer term, however, declining soil fertility may threaten its sustainability.

The sustainability of the work on essential oil crops depends on converting the knowledge generated by the research into commercial 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 subproject depends on a single implementing partner, whose funding is totally reliant on external funding and is precarious.

In general, the actual or potential benefits from traditional oilseeds and oil palm are sustainable. However, there are doubts about the financial sustainability of KOPGT on which the sustainability of smallholder oil palm production will still depend in the short run. There are also doubts about the long run sustainability of sunflower production, and the R&D of essential oil crops is not currently sustainable without external funding.

### **Partner performance**

*IFAD.* IFAD's performance in developing and supporting the project, especially during the difficult times, was highly appreciated by the Government. IFAD helped to strengthen the pro poor focus of the project at various stages in its development; it strengthened project implementation through increased involvement in the supervision process and by providing extra staff training on gender mainstreaming and M&E. The project has also benefited from in-country support from the IFAD Field Presence Officer.

*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 have played a major role in pushing the project forward. The performance of the PCO has been highly commendable given the task of coordinating three subprojects with a small staff. However, the Government procedures have caused delays in project implementation and procurement, which reduced its overall effectiveness and efficiency.

*Cooperating institutions.* The World Bank was strongly involved in the design of the project and was cooperating institution from the start until August 2004.<sup>5</sup> It played a key role in facilitating negotiations between the Government and the private investor. UNOPS took over in September 2004 and fulfilled its supervisory role effectively. Both institutions made important contributions to project supervision, although they focused primarily on the Oil Palm Subproject and gave very little attention to the Essential Oils Subproject.

*Private sector partner (BIDCO, OPUL).* The private sector partner has demonstrated high commitment to the realisation of the Oil Palm Subproject and extraordinary patience with the Government over the negotiation of the agreement and the slow pace of land acquisition. Its commitment is reflected in the size of the investment to date and the speed of its implementation. On Bugala Island, OPUL has shown flexibility in adjusting to local conditions and has developed excellent relations with KOPGT and the local government.

## **Conclusions and recommendations** <sup>6</sup>

### *Conclusions*

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 sub project. It is a highly innovative project which provides important lessons from all three subprojects regarding: the advantages and challenges of a PPP (oil palm); the potential for replication 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.

At this point it is difficult to assess the achievements in the oil palm sub sector due to 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 them 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 strong. There has been strong cooperation and partnership in all subprojects and at all levels.

*Oil palm.* The Oil Palm Subproject is now well underway 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 realise 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 six-fold had serious implications for its implementation. It affected the pace and cost of implementation and provoked public concerns about possible effects on the environment. These concerns provided fodder for vested interests opposed to the project, which in turn undermined potential support amongst 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.

*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 farmer organization, 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.

*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.

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, 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.

The NARO research institutes have fulfilled their obligations under the memorandum of understanding, but have had 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 amongst producers and processors is commendable. UNBS would benefit from further resources to strengthen its work on inspection and compliance.

*Subsectoral advocacy:* The role envisaged for VODC in supporting the subsector outside of VODP was enlightened, if premature at the time, but raised conflicts of interest. This role has largely been taken over by OSSUP. The latter organization has wider representation than VODC and draws on considerable enthusiasm and energy from its participants. It is working towards defined objectives and targets, and is developing priorities for advocacy and policy dialogue.

*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 competences and dedicated resources, and cannot be grafted on to the existing responsibilities of researchers or project staff.

## **Recommendations**

*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:

*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.

*KOPGT.* The Government of Uganda 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.

*Traditional oilseeds.* IFAD and the Government of Uganda should consider carefully the need for a second phase. Its focus should be on helping smallholder farmers to supply crushing material (both sunflower and soybean) to millers. The programme 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 oils subsector through UNBS. In the second phase, there should be a stronger focus on promoting direct commercial relations between farmers and private sector actors to promote the long term sustainability of oilseeds development. If IFAD and the Government consider that it is necessary to expand this component into the ex-lords resistance army areas 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.

*Subsectoral advocacy.* IFAD/Government of Uganda should build upon the experience being developed by OSSUP so that it can expand its work in promoting information exchange and coordination amongst the different value chain actors, and developing policy dialogue to promote the subsector. IFAD should provide a grant to Netherlands development organization 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 oils subsector.

*Essential oils.* IFAD and the Government of Uganda 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 programme 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 fuel wood 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 made through a stand-alone grant financed by IFAD to the organizations identified to put this activity on a sustainable basis.

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1/ The rating scale is as follows: 6 (highly satisfactory); 5 (satisfactory); 4 (moderately satisfactory); 3 (moderately unsatisfactory); 2 (unsatisfactory) and 1 (highly unsatisfactory).

2/ BIDCO (BIDCO Oil Refineries Ltd (Kenya) is the main project partner. Its subsidiary OPUL (Oil Palm Uganda Ltd. was created to manage the nucleus estate on Bugala Island).

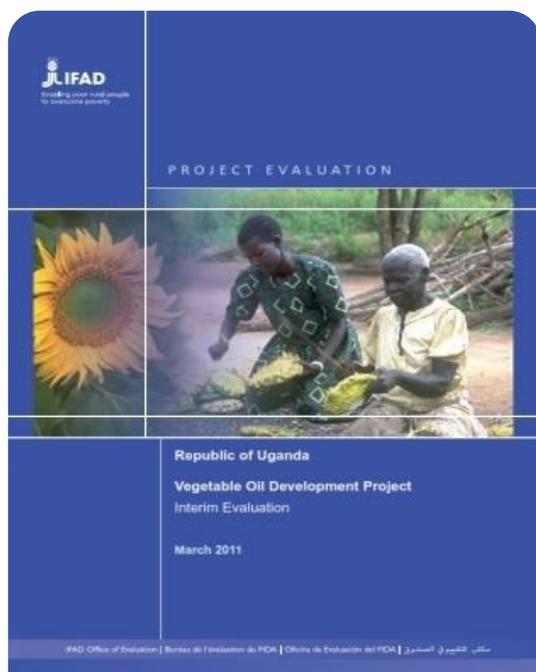
3/ Outgrowers land is managed in consolidated blocks by OPUL; smallholders grow and manage the oil palm plots on their own land, hence their plots are smaller and more scattered.

4/ Since there are many influences on these aggregate processes besides that of the VODP, it is not possible to attribute any changes to the project alone.

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

6/ These conclusions and recommendations are a summary of the main conclusions and recommendations found in the full report.

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29 March 2011

**Languages**

English (/en/web/ioe/evaluation/asset/39826902)

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