05 DEC 2023

PARLIAMENT OF UGANDA

REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PROPOSAL BY GOVERNMENT TO BORROW UP TO USD 325 MILLION AND RECEIVE A GRANT OF UP TO SDR 19.5 MILLION (EQUIVALENT TO USD 25 MILLION) FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) OF THE WORLD BANK GROUP TO FINANCE THE UGANDA CLIMATE SMART AGRICULTURAL TRANSFORMATION PROJECT

Office of the Clerk to Parliament

Parliament Building

Kampala

DECEMBER, 2023

1.0 INTRODUCTION

On 10th October, 2023, the Minister of Finance, Planning and Economic Development presented to Parliament a proposal by Government to borrow up to USD 325 million and receive a grant of up to SDR 19.5 million (equivalent to USD 25 million) from the International Development Association (IDA) of the World Bank group to finance the Uganda Climate Smart Agricultural Transformation Project (UCSATP). The request was referred to the Committee on National Economy for scrutiny in accordance with Rule 155 of the Parliamentary Rules of Procedure.

The Committee cosnsidered and scrutinized the request pursuant to Rule 178 (2) (b) of the Rules of Procedures of Parliament and now reports.

2.0 METHODOLOGY

The Committee held meetings with the following:

i. The Ministry of Finance, Planning and Economic Development; and
ii. The Ministry of Agriculture,Animal Industry and Fisheries

The Committee also studied and made reference to the following documents:
The Committee also reviewed the following documents among others;

i. A brief on the loan request by the Minister of Finance, Planning and Economic Development
ii. Draft financing agreement
iii. Project appraisal document from Internal Development Association on proposed credit
iv. Letter of clearance by H.E the President of the Republic of Uganda
v. Letter of financial clearance for borrowing from Ministry of Finance, Planning and Economic Development;
vi. National Planning Authority letter on the project to be considered for approval;

vii. Performance reports on the externally financed projects under the Agriculture and Fisheries Sector;

viii. Project Implementation Plan/Operations Manual;

ix. Social Economic Impact Assessment Report of the Project;

2.1 Compliance with Rules of procedure of Parliament

Rule 155 provides the process of consideration of Loans and guarantees in Parliament. This rule provides a list of documents that must accompany any loan request, and the table 1 shows that six (6) of the sixteen (16) documents were submitted in accordance with rule 155, translating into a performance of 37.5 percent (Table 1).

Table: 1 Compliance Assessment of submitted documents in line with Rule 155

Rule	Requirement	Target Score	Score	Remark
155(5)	a) Draft Financing Agreement	1	1	Submitted the financing agreement. The commercial agreement was submitted
	b) List of financing options	1	1	Submitted
	c)Loan Disbursement and repayment schedule	1	1	Submitted
	d)A letter from NPA	1	1	Submitted
	Subtotal rule 155(5)	**4**	**4**	**100 % requirements**
155(7)	a) Social Economic Impact Assessment Report	1	1	Submitted
	b) Performance report for all projects in sector	1	1	Performance reports for on-going projects was provided
	c) Evidence of Consistency with NDP & sector strategy	1	1	Submitted

vii. Performance reports on the externally financed projects under the Agriculture and Fisheries Sector;

viii. Project Implementation Plan/Operations Manual;

ix. Social Economic Impact Assessment Report of the Project;

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Table: 1 Compliance Assessment of submitted documents in line with Rule 155

Rule	Requirement	Target Score	Score	Remark
155(5)	a) Draft Financing Agreement	1	1	Submitted the financing agreement. The commercial agreement was not submitted
	b) List of financing options	1	1	Submitted
	c)Loan Disbursement and repayment schedule	1	1	Submitted
	d)A letter from NPA	1	1	Submitted
	Subtotal rule 155(5)	**4**	**4**	**100 % requirements**
155(7)	a) Social Economic Impact Assessment Report	1	1	Submitted
	b) Performance report for all projects in sector	1	1	Performance reports for on-going projects not provided
	c) Evidence of Consistency with NDP & sector strategy	1	1	~~Not~~ Submitted

Rule	Requirement	Target Score	Score	Remark
	d)Evidence of Availability of counterpart funds	1	1	Evidence of Commitment
	e) Project Appraisal Document (PAD)	1	1	Feasibility Submitted
	f) Procurement plan	1	1	Submitted
	g) Project Implementation Plan	1	1	Submitted
	h) Project Management Structure	1	1	In Project operations manual
	i)Resettlement action plan, if applicable	1	1	Resettlement Policy Framework submitted Specific RAP for project not submitted
	j) Environmental Impact Assessment report, If applicable	1	1	Draft environmental and social commitment plan submitted NEMA certificate submitted
	K) Performance of past loans	1	1	Submitted
	l) any other documents	1	1	Submitted
	Subtotal rule 155(7)	**12**	**12**	**100% submitted**
	Total	**16**	**16**	**100% submitted**

Source: *Committee Assessment of submitted documents*

3.0 BACKGROUND

It is estimated that 85% of Uganda's population is rural and dependant on the land for its livelihood. The availability and productivity of land in turn depends on how it is managed to generate food, income, and environmental benefits such as clean water and reduced climate risk. Land and unskilled labour are, in general, the principle assets of the rural poor. The few human or capital endowments spent by farmers on land care can be overwhelmed by land degradation and climate risks. The associated loss of productivity imposes high social and economic costs because of linkages that exist between lagging agricultural growth, rural poverty and food insecurity.

While agriculture remains the single most important sector to get households out of poverty, and only sustainable pathway to industrialization (Adesina, 2017), in its current state, the agricultural sector is greatly affected by climate change variability resulting in reduced land resilience , increased incidences of drought and floods intensified by unavailable or inadequate early warning systems (Nakalembe,2018). Moreover, reliance on seasonal value chains prone to climate change variability have further limited commercialization and increase in household income.

As a consequence, Uganda, with at least 38% of its population still living below the poverty line and deriving their livelihood largely from agriculture, climate variability and change pose serious concerns. Uganda, like most African countries, remains vulnerable to the effects of climate change since agriculture depends primarily on climate. Under the current situation of climate change which has a big influence on Economic and ecological issues, the condition of vulnerable social groups like women and children in Uganda and most African countries is likely to worsen.

The likely effects of not addressing these challenges are reduced production and productivity of the selected value chains, decreased resilience to the effects of

climate change resulting in increase of agricultural disasters such as moisture stress, floods and drought (Worldbank,2021), increased soil erosion (MWE,2015), incidences of pests and diseases and increased greenhouse gas emissions. Indirectly, not addressing these issues will result in changes in seasonality of production perpetuating food, nutrition and income security, reduced government earnings, and further land degradation greatly affecting poverty reduction.

The project aims to support having a modern agriculture sector for increased production and productivity, promote value addition through agro-processing which is the gist of the proposed project. The Uganda Vision 2040 puts emphasis on the establishment of economic lifeline industries including agro-based industries to drive agriculture productivity which the project seeks to achieve.

It is therefore upon from this background that Government is seeking to borrow up to USD 325 million and receive a grant of up to SDR 19.5 million (equivalent to USD 25 million) from the International Development Association (IDA) of the World Bank group to finance the Uganda Climate Smart Agricultural Transformation Project.

3.1 PERFORMANCE OF DEBT FINANCED PROJECTS UNDER THE AGRICULTURAL SECTOR

Table 1: Performance of Loan Disbursements under the Agriculture Sector as at June 2023 (US$ millions)

Donor	Project	Parliament Approval date	Loan Amount Commited(USD)	Disbursement Amount (USD)	Undisbursed Amount (USD)	% Disbursed	Initial Completion date
IDB	Enhancing of National Food Security, through the increased rice production project.	16/11/2013	34.05	7.27	26.78	21.4%	5/07/2016

Donor	Project	Parliament Approval date	Loan Amount Commited(USD)	Disbursement Amount (USD)	Undisbursed Amount (USD)	% Disbursed	Initial Completion date
IDA	Agriculture Cluster Development Project.	15/09/2016	150.00	124.20	25.80	82.8%	31/03/2022
IFAD	National Oil Palm Project (NOPP)	6/09/2018	75.82	16.34	59.49	21.5%	31/03/2029
ADB	Agricultural Value Chain Development Project	26/09/2018	76.95	27.96	48.99	35.2%	30/06/2025
IFAD	National Oil Seeds Project	6/05/2021	99.56	1.00	98.56	1.0%	30/09/2028
OFID	National Oil Seeds Project	6/05/2021	30.00	0	30.00	0%	30/09/2028
	TOTAL		**466.38**	**176.77**	**289.61**	**37.90%**	

Source: ,MAAIF (August,2023) & DRS Computations

From the table above, there are 6 approved ongoing projects in the agricultural sector that are ongoing and being implemented by Ministry of Agriculture Animal Industry and Fisheries amounting to US$ 466.38 million of which US$ 176.77 million has been disbursed representing a average disbursement rate of 37.9% as at 30th June , 2023.

The Enhancing National Food Security through increased rice production project is the least performing project with 21.4% disbursement and 100% of initial completion period of the project covered. The US$ 34.05 million IDB funded project became effective on the 20th December, 2016. The project was aimed at developing Igogero-Naigombwa irrigation scheme with 2 multi purpose dams in Bugiri and Bugweri Districts. The project`s closure dates have been extended a number of times from 30th September, 2017 to 31st December, 2020 to 28th February, 2021 and now to 25th October,2023.

The Committee was informed that extensions were due to one of the development partners (Tilda Rice Company) pulling out and was replaced by Busowa Traders and Farmers' Cooperative Society Limited. Much as Tilda had a dam and only needed to increase its height to tap more water for increased irrigated acreage, Busowa had none and so a new dam has to be built. The same applies to the Farmland preparation.

Iin addition, the implementation of the project suffered substantial delays resulting into cost overruns overtime. Several meetings were held to draw strategies of delivering the project. In particular,the meeting of 25th August,2022 with the IDB ,Government of Uganda agreed to plausible roadmap to deliver the project. Further more, a project restructuring meeting held in December,2022 agreed that only construction of Kitumbeezi dam and development of 3,200 Hectares of farmland be implemented. This also meant that there had to be a change in the scope of the project. The Ministry contracted M/s Coil Ltd in Joint venture with Kanalet on 02nd February 2023 to construct Kitumbezi multipurpose dam and develop Igogero-Naigombwa irrigation scheme in Bugiri and Bugweri Districts respectively. The site was formerly handed over to the Contractor on 5th June 2023 and is expected that works will be completed by 5th November 2024. The Contractor has since established camp and deployed plant and personnel on site for execution of the works. Before the actual construction works were yet to commence; the farmers were not allowing the Contractor to access the site alluding to delayed compensation. The Contractor has now mobilized more equipment for the works. The Ministry processed payment of UGX 9 Billion for compensating the 702 Project Affected Persons (PAPs) and was to be paid out in 1st Quarter 2023/24 FY. Payment of first 63 PAPs at Kitumbezi multipurpose dam site worth UGX 1.99 Billion was on going. The PAPs under the canal and farm land area were still undergoing further verification. The issue of compensation continues to affect physical progress of dam works.

Under the National Oil Palm Project (NOPP), 21.5% of USD 75.82 million loan committed (USD 16,335,001.33 equivalent to approximately Ush.

59,793,368,735/=) has been disbursed over the lifetime period of 48% since it became effective on the 29th November, 2018 and due to close on the 31/03/2029. Out of the total disbursed funds to the country, 86% (Ush. 51,603,989,348/-) has been absorbed in total, since project inception. The overall objective of this project is to sustainably increase rural incomes through opportunities generated by the establishment of an efficient oil palm industry that complies with modern environmental and social standards. The project interventions are planned for 5 hubs, that is, Kalangala hub (Kalangala district), Buvuma hub (Buvuma district), Mayuge hub (Mayuge, Bugiri and Namayingo districts) Masaka hub (Masaka, Kyotera and Kalungu districts), Mukono hub (Mukono and Buikwe districts).

The challenges faced during the National Oil Palm Project implementation include:

- Failure to avail all the land required by the Private Investor, 5,500ha (Buvuma), in a timely manner.;
- No project financing for outgrowers with more than 2ha.;
- Delay in establishment of oil palm plantations in new hubs of Mayuge, Masaka and Mukono hubs;
- Lack of land for establishment of Nucleus Estates (incl. nurseries and mills) (Mayuge, Masaka and Mukono hubs);
- Scattered locations of smallholder farmers making road construction andfuture evacuation of the harvests costly;and
- Failure to utilise dividends of UGX 42.6 bn (net of tax). paid to the Kalangala Oil Palm Growers Trust Leading to delayed evacuation of produce and increased waste levels.

Under the Agriculture Cluster Development Project, 82.8% of USD 150 million loan committed has been disbursed since it became effective on the 23rd Jnauary , 2017 with an initial closure date of 31/03/2022. The extended project closure date was 30/09/2023. and due to close on the

31/03/2029 . To enable implementation of all pending activities following the expiry of the extension period, an extension of the project period by six months was submitted to the World Bank pending approval. The Project Goal and Development Objective (PDO) is to raise on-farm productivity, production, and marketable volumes of maize, beans, rice, cassava, and coffee in 57 districts grouped in 12 geographical clusters.

Despite the successes registered so far, implementation of the Agriculture Cluster Development Project was affected by a number of challenges and these include the following;

- High demand for road chokes.
- The e-voucher system required a lot of time for sensitization.
- Limited power connection to grantee farmer organizations following the restructuring of the Rural Electrification Agency (REA).
- Inadequate funds provided in the project budget ceiling for the FY 2022/23. Although the donor funding commitment for the FY was UGX 159.9bn only UGX 73.75bn was provided in the IFMS which limited implementation of critical activities within the project expected closure date of 30th September 2023. MoFPED front loaded the budget in the FY 2023/24 and recommended extension of the project closure date by six months up to March 31st 2024.

3.2 COUNTRY CONTEXT OF THE PROJECT

i. According to the Uganda National Household Survey (2016/17),a sizable portion of Uganda's population remains vulnerable to poverty and significant welfare setbacks in the wake of a shock. About 44 percent are considered vulnerable and susceptible to falling into poverty because of climate and other shocks. While 8.4 percent of households moved out of poverty in 2021, 10.2 percent slipped into poverty in response to shocks.

ii. Poverty has mainly been linked to massive natural resource degradation through unsustainable exploitation. The reduction in agricultural

productivity is worsening poverty especially among agriculture-dependent people and in areas where the degradation of land is the highest with limited interventions. Areas of Busoga, Bukedi, and Kigezi continued to experience extreme and increasing poverty levels largely attributed to land and natural resource degradation.

iii. Within the four regions that comprise the country, there are sub-regional differences in resource endowments and economic activities. This is partly reflected in differences in the sub-regional poverty rates (See Table 2). In 2019/20, Acholi Sub-region emerged as the poorest sub-region with a poverty rate of 66.7 per cent. This reversed the gains recorded between 2012/13 and 2016/17 (from 45.45 per cent to 34.4 per cent). The second poorest sub-region in 2019/20 was Karamoja. Table 1 shows that in 2016/17, Karamoja was the poorest sub-region in the country, with a poverty rate of 60.18 percent, which was an improvement from 74.5 per cent registered in 2012/13. However, the progress was reversed in 2019/20 as the poverty rate increased to 65.7 per cent.

Table 2: Change in Poverty Rates between 2012/13,2016/17 and 2019/20

Sub-Region	Poverty Rate 2012/13	Poverty Rate 2016/17	Poverty Rate 2019/20	Percent Change (2013-2017)	Percent Change (2017-2020)
Elgon	25.82	34.9	13.2	35.2	-62.2
West Nile	4.2	34.91	16.9	-16.9	-51.6
Bunyoro	8.5	17.26	9.8	103.1	-43.2
Kampala	0.8	2.58	1.6	222.5	-38
Buganda (South)	3.9	8.96	6.9	129.7	-23
Busoga	22.79	37.48	29.4	64.5	-21.6
Bukedi	29.43	43.68	34.7	48.4	-20.6
Teso	20.83	25.07	21.9	20.4	-12.6
Karamoja	74.5	60.18	65.7	-19.2	9.2
Tooro	11.07	11.1	12.8	0.3	15.5
Buganda (North)	7.28	11.03	13.8	51.5	25.1
Lango	27.64	15.64	23.4	-43.4	49.6
Ankole	7.44	6.81	13.2	-8.5	93.8
Acholi	45.45	33.4	67.7	-26.5	102.7
Kigezi	7.78	12.16	27.8	56.3	128.6

Source: Poverty Status Report (MFPED,2023)

iv. In the 2012/13 UNHS, the Lango Sub-region had a poverty rate of 27.64 percent which dropped to 15.64 per cent in 2016/17.However, the gains of the Lango Sub-region were reversed in 2019/20 as the poverty rate increased to 23.4 per cent.Generally, three sub-regions within the northern region experienced increased poverty between 2016/17 and 2019/20; only the West Nile Sub-region registered a consistent fall in the poverty rate.West Nile's poverty rate decreased from 42 per cent in 2012/13 to 34.91 per cent in 2016/17 to 16.9 per cent in 2019/20.This was a 51.6 per cent decrease in the poverty rate over five years. There was a reversal of gains in poverty reduction in the Kigezi and Ankole Sub-regions. ***Of great policy concern is the poverty increase in the Kigezi Sub-region. Between 2016/17 and 2019/20, the poverty rate more than doubled, from 12.16 per cent to 27.8 per cent. This represents a 128.6 percent increase over five years.***

v. There have been limited or inadequate interventions in natural resource management and adaptation to the impacts of climate change in these regions. While poverty levels in Karamoja, West Nile, and the North remain high, they are declining due to investments in poverty reduction, natural resource management, and climate change adaptation. Without adequate action, social and economic losses are expected to be more pronounced in the marginalized regions of the country where the declining resilience of

rural households would have devastating impacts on agricultural productivity, food security, incomes, and poverty reduction.

vi. Uganda has seen a significant increase in refugees since 2016, which has been adversely affected by COVID-19 impacts. By the end of July 2022, the country hosted 1.53 million refugees and asylum seekers from various neibouring countries. The refugee presence has added to existing pressures on the environment leading to an increase in the rate of degradation and tree loss and accelerated land cover changes in bushland and woodlands. A World Bank and FAO assessment done in 2019 has shown that the inflow of refugees in northwestern Uganda exacerbated a range of ongoing environmental impacts and associated challenges including land degradation and woodland loss leading to inadequate access to energy for cooking and increased competition with local people for wood fuel and other natural resources.

3.3 CONTEXT AND CHALLENGES THE PROJECT INTENDS TO ADDRESS

i. The Agricultural sector is the second largest in terms of production constituting 24% of total production in the economy as at June 2023 and remains the dominant source of employment for the majority of households. Despite its important role, the agriculture sector performs far below its potential, exacerbated by increasing climate variability as well as extreme weather events.

ii. Low rates of commercialization and inadequate capacity to invest in adapting to climate related hazards are ongoing threats to productivity enhancement. Soil degradation and erosion, caused by unsustainable land management, have further reduced agricultural productivity and increased vulnerability.

iii. In recent years, the lack of resilience has resulted in huge losses in livestock and crops. For instance, due to the 2010/11 drought, Uganda lost US$470 million in food crops, cash crops, and livestock—the equivalent of approximately 16 percent of the total annual value of crops.

iv. Climate induced drought and flood in Uganda is shrinking Uganda's lakes and fish population due to increasing temperatures and sedimentation/siltation from erosion caused by changes in land use and land cover. This has greatly affected capture fisheries considered to be indispensable to meeting the fish supply deficit and to driving economic and social growth while serving as an adaptation strategy to climate change impacts. The MoWE estimates in 2015 showed that by 2025, the economic cost of climate change to agriculture will be in the range of US$2.3–4.2 billion per annum, due to crop damage, loss of export crop revenue, loss of livestock, and unmet water demand for plant and livestock production.

v. The impact of climate change on livestock production via drought, water availability, floods, and diseases is still marginal.However, livestock production, which contributes about 15 percent of agricultural GDP, contributes the most (19 percent) to the agricultural greenhouse gas (GHG) emissions in Uganda, thus necessitating investments in climate smart livestock practices. Due to reduced soil fertility and moisture stress, crop and livestock yields in Uganda have remained low, registering only about 30 percent of biological potential.

vi. Even though a range of Climate Smart Agriculture (CSA) technologies including Sustainable Land Management (SLM) have been promoted and implemented across farmer typologies and agroecological zones in Uganda, the rate of adoption is less than 30 percent. The low level of adoption of CSA and SLM practices is attributed to

   a. the limited direct commercial value of these practices;

   b. high initial costs of adoption of the CSA technologies and establishment of necessary structures to undertake SLM practices;

   c. misalignment and absence of incentive mechanisms that influence smallholder farmers' ability to address immediate or short-term climatic risks; and

d. limited investments in technology and mechanization.

vii. More broadly, poor policy harmonization, weak or absent institutional arrangements, inadequate land use plans, limited support to local governments, weak farmer groups, a poor mindset of the farmers and institutions, and limited investments in CSA-friendly value chains are factors that have all contributed to increased vulnerability to climatic shocks.

viii. Refugee Hosting Districts face challenges in the productivity of the land. There are limited soil conservation interventions in refugee settlements. Settlements are located in refugee hosting districts which often have less-productive agricultural land. Extension services are limited in settlements, and interventions are fragmented across different funding partners making it difficult to ensure sustainable use of natural resources for restoration, preservation of the environment, and improvement in agricultural productivity. Informal arrangements for sharecropping and refugees working on host community land provide vulnerability and protection challenges, as does the contestation of some land around refugee settlements.

ix. The Uganda Climate Smart Agricultural Transformation Project will contribute to reversing the impacts of land degradation and promote the adoption and scale-up of appropriate land management practices and climate smart technologies for sustained productivity and poverty reduction through;

a. Investing in strengthening institutions at varying levels—communities and local governments— to promote economies of scale and mindset change among policy makers and communities regarding the benefits of promoting climate smart technologies, innovations, and management practices (TIMPs) and to enhance community resilience to climatic shocks;

b. Investing in climate smart technology generation and adaptation to facilitate and enhance farmers' adoption of TIMPs, climate smart technologies and SLM practices;

c. Addressing market access and infrastructure challenges to incentivize increased investments into climate smart TIMPs and enable a shift from subsistence farming to commercial oriented production;

d. Undertaking customized interventions that address the unique characteristics of refugee and host community districts to promote sustainable use of natural resources and manage social cohesion between refugee and host communities; and

e. Investing in early warning systems, surveillance, and forecasting by establishing andstrengthening the institutional architecture that can effectively respond and adjust in realtime.

4.0 ALIGNMENT OF THE PROJECT TO THE NATIONAL PLANNING FRAMEWORK

i. The project is aligned with the three programs of the GoU's Third National Development Plan (NDP III) including the Regional Development Program that aims to accelerate equitable regional economic growth and development and the Climate Change, Natural Resources, Environment and Water Management Program that aims to stop and reverse the degradation of water resources, environment,and natural resources and effects of climate change on economic growth and livelihood security. The project is also aligned with the Agro-industrialization Program whose goal is to increase the commercialization and competitiveness of agricultural production and agro-processing.

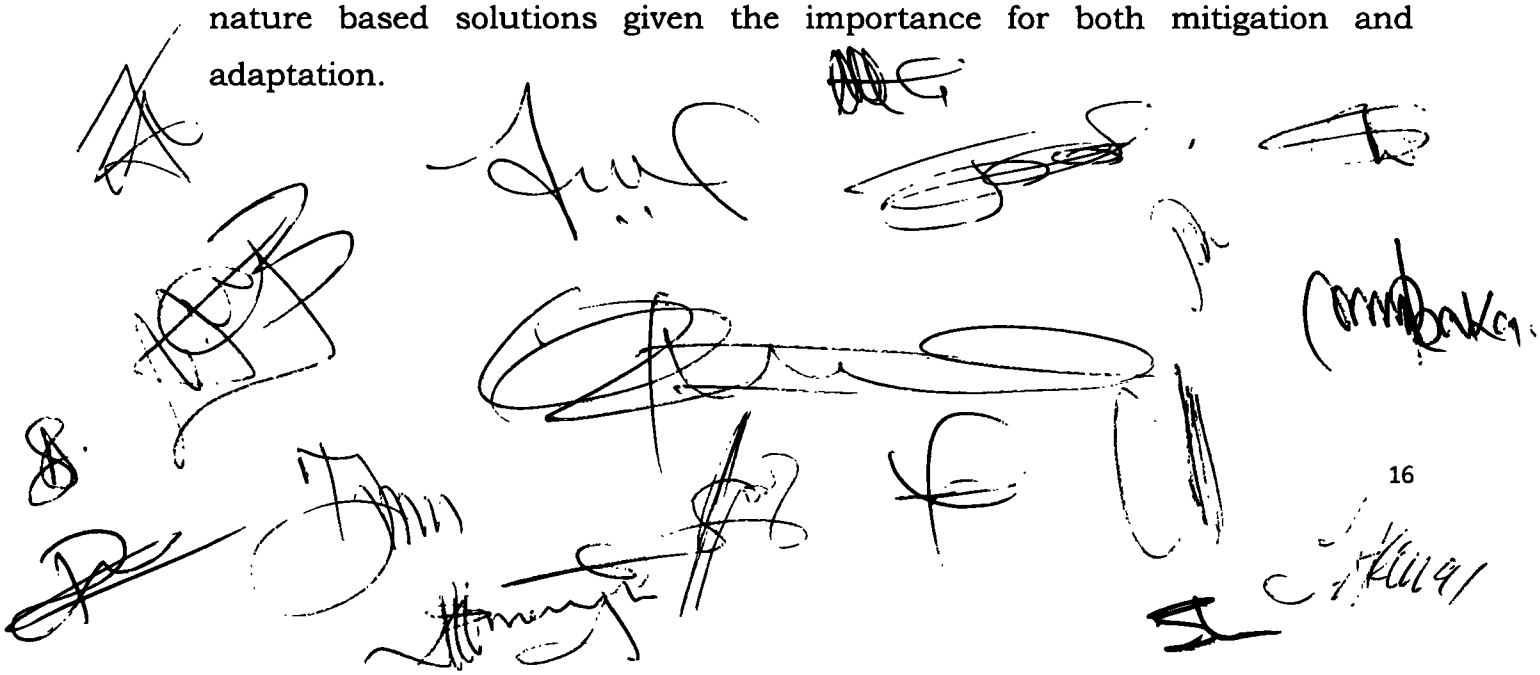
ii. The project is also in line with the Parish Development Model (PDM). It directly contributes to Pillars (1) Production, Storage, Processing and Marketing by providing climate smart value addition technologies and working directly with farm cooperatives and farmer associations; (2)

Infrastructure and Economic Services by investing in rural infrastructure to ensure connectivity to the markets; (3) Financial Inclusion by facilitating access to support and promoting group savings. All the enterprises to be supported are listed in Parish Development Model.

iii. Uganda is recognized globally as having one of the refugee policies most aligned with the Global Compact on Refugees. It is a state party to international and regional instruments protecting refugees. Its laws, policies, and practices are consistent with international refugee law, guaranteeing non-refoulment and adequate protection for refugees and asylum seekers.

iv. The proposed project is in line with the sustainable Development Goals(SDGs) 1,2,5,7,10 and 13 focusing on eradicating the proportion of people whose income is less than US$ 1.25 dollars a day, ending hunger by reducing the proportion of people suffering from hunger with significant progress achieved in improving nutrition, particularly among children in whom nourishment is critical during early childhood, reducing inequality within countries and a call for urgent action to combat climate change and its impacts.

v. The project is further aligned with the World Bank Group (WBG) Climate Change Action Plan (2021-2025), that aims to advance the climate change aspects of the WBG's Green, Resilient, and Inclusive Development (GRID) approach, which pursues poverty eradication and shared prosperity with a sustainability lens. The plan futher considers the importance of natural capital, biodiversity and ecosystem services and aims to increase support for nature based solutions given the importance for both mitigation and adaptation.



5.0 PROJECT OBJECTIVES AND OUTPUTS

The Project Development Objective is to increase productivity, market access and resilience of select value chains in the project area and to respond promptly and effectively to an eligible crisis or emergency.

5.1 Value Chains selection criteria

13 value chains have been selected and up to 4 value chains will be supported in each subregion. The value chains have been selected based on the following criteria

i. potential to earn income for farmers and create employment;

ii. potential to support food security and nutrition;

iii. environmentally adaptable to the region;

iv. potential for scalability;

v. marketability—availability of market off-takers, aggregators, and processors;

vi. promoted by at least two-thirds of the districts in the subregion; and

vii. among commodities promoted by the Parish Development Model.

Other considerations include being socially acceptable by farmers—by gender and inclusiveness of vulnerable groups—and potential to use as feedstock for value addition/ability to support other enterprises.

5.2 Value Chains to be targeted Per Sub-Region

Table 3: Value Chains per Sub-Region

	SUB-REGION	BENEFICIARY DISTRICT	VALUE CHAINS SUPPORTED PER SUB-REGION
1	Busoga	Iganga	Dairy

	SUB-REGION	BENEFICIARY DISTRICT	VALUE CHAINS SUPPORTED PER SUB-REGION
		Mayuge Buyende Kamuli Kaliro	Coffee Aquaculture/Fisheries Cocoa
2	Bukedi	Budaka Butaleja Kibuku Pallisa Tororo	Mangoes Citrus Aquaculture & Fisheries Dairy Poultry
3	Elgon	Bulambuli Bududa Mbale Sironko Manafwa Kween	Dairy Coffee Bananas Vegetables
4	Teso	Bukedea Kaberamaido Katakwi Kumi Ngora Serere Kalaki	Aquaculture & Fisheries Beef Citrus Mangoes Dairy
5	Karamoja	Abim Kaabong Kotido Nakapiripirit Napak Moroto	Beef Sorghum Cassava Soybean Aquaculture/Fisheries
6	Lango	Apac Dokolo Amolatar Oyam Alebtong Otuke	Soybean Aquaculture & Fisheries, Mango Citrus Beef
7	Acholi	Agago Kitgum Pader Nwoya Omoro Lamwo	Soybean Beef Maize Aquaculture/Fisheries
8	West Nile	Adjumani (RHD) Zombo Madi-Okollo	Beef Soybean Mangoes

	SUB-REGION	BENEFICIARY DISTRICT	VALUE CHAINS SUPPORTED PER SUB-REGION
		Maracha	Poultry Aquaculture/Fisheries
9	Ankole	Isingiro (RHD) Kazo Kiruhura Sheema Mitooma	Dairy Beef Banana Coffee Aquaculture/Fisheries
10	Kigezi	Kabale Rukungiri Rubanda Kisoro	Dairy Aquaculture/Fisheries Bananas Coffee
11	Rwenzori	Bundibugyo Kamwenge (RHD) Ntoroko Kabarole Kyegegwa (RHD)	Dairy Coffee Beef Maize Cocoa Aquaculture/Fisheries
12	Bunyoro	Kibaale Kiryandongo (RHD) Kakumiro Kikuube (RHD) Mubende	Dairy Beef Maize Coffee Aquaculture & Fisheries
13	Buganda	Nakasongola Butambala Kyankwanzi Nakaseke Gomba Sembabule	Dairy Beef Banana Coffee Aquaculture/Fisheries

Source: Project Implementation Manual (MAAIF,September 2023)

5.3 Project Outputs

Indicators will be used to assess whether project benefits are being realized during project implementation. Some of the expected Project outcome Indicators at the end of the project include but not limited to the following:

Project Development Objective Indicators

Project beneficiaries

i. Project beneficiaries (Number)- Baseline (0), End Target (3,900,000);

ii. Direct project beneficiaries (households) - Baseline (0), End Target (760,000);

iii. Female beneficiaries (Number)– Baseline (0), End Target (1,560,000);

iv. Refugee beneficiaries (households) (Number)- Baseline (0),End Target (60,000);

v. Host Community beneficiaries (households) (Number) – Baseline (0), End Target (80,000);

vi. National beneficiaries (households) (Number)- Baseline (0), End Target (620,000);

vii. Indirect beneficiaries (Number) - Baseline (0), End Target (9,500,000);

Increased resilience

viii. Land area under sustainable land management including climate smart practices because of project support (Hectare(Ha))- Baseline (0), End Target (153,000);

Increased productivity

ix. Percentage increase in yields of selected value chains in metric tons per production unit (Percentage) - Baseline (0), End Target (40)

x. Crop value chain (Percentage) - Baseline (0), End Target (40)

xi. Livestock value chain (Percentage) - Baseline (0), End Target (40)

xii. Fisheries value chain (Percentage) - Baseline (0), End Target (40)

Increased marketed access

xiii. Percentage increase in volumes (in Metric Tons) of agricultural products of selected value chains marketed by targeted beneficiaries (Percentage)- Baseline (0), End Target (50);

Intermediate Results Indicators by Components

Strengthening Climate-Smart Agricultural Research, Seed and Agro-Climatic Information Systems

xiv. Competitive adaptive and applied Research Grants awarded and completed (Number) - Baseline (0), End Target (70);

xv. Community crop,livestock and fisheries Seed Production Groups (CSPG) supported to source foundation seed and produce seed (Number) - Baseline (0), End Target (450);

xvi. Weather stations rehabilitated or established with project support (Number) - Baseline (0), End Target (60);

xvii. Agro-climatic and climate smart digital tools established or developed to facilitate access to early warning, agroclimatic, pest and disease information (Number) - Baseline (0), End Target (10);

xviii. Project Implementing and extension staff trained in customized CSA technologies and innovations (Number) - Baseline (0), End Target (1,100);

xix. Participatory stakeholders engagements conducted in 9 Zones (Number) - Baseline (0), End Target (90);

xx. Resilient agricultural production infrastructure for technology development and dissemination refurbished or established with project support (Number)) - Baseline (0), End Target (100);

Promoting Adoption of Climate-Smart Agriculture Practices and Value Chains

xxi. Community micro-level sub-projects supported for production (Number)- Baseline (0), End Target (25,200);

xxii. Community level sub-projects still operational one year afterreceipt of funds (Percentage))- Baseline (0), End Target (60);

xxiii. District Level grants provided for investments in sub-projects at the sub-county or district to support improved productivity (Number) - Baseline (0), End Target (1,300);

xxiv. District level sub-projects operational two years after receipt of funds (Percentage) - Baseline (0), End Target (60);

xxv. Beneficiaries of Labor-Intensive Public Works (LIPW) and On-farm Incentive Fund (SLM) (Number) - Baseline (0), End Target (750,000);

xxvi. Beneficiaries that feel project investments reflected their needs (Percentage) - Baseline (0), End Target (70);

Market Development and Linkages for Selected Value Chains

xxvii. Farmer based organizations benefitting from the enterprise development funding for value addition, processing and post harvest handling (Number) - Baseline (0), End Target (1,200);

xxviii. Female Farmer based organizations benefitting from the enterprise development funding for value addition, processing and post harvest handling (Percentage) - Baseline (0), End Target (25);

xxix. Enterprise development funded groups operational two years after receipt of funds (Percentage) - Baseline (0), End Target (60);

xxx. Resilient agricultural value addition infrastructures or facilities rehabilitated or established or acquired with project support (Number) - Baseline (0), End Target (210);

xxxi. Productive Alliances established and functional (Number)) - Baseline (0), End Target (200);

xxxii. Beneficiaries of skills development activities supported by the project (Number) - Baseline (0), End Target (2,000);

xxxiii. Beneficiaries of skills development activities supported by the project that are women (Percentage) - Baseline (0), End Target (40);

xxxiv. Road chokes fixed and supported by the project (Kilometers) Baseline (0), End Target (975);

6.0 PROJECT COMPONENTS

The project has the following 5 components as shown in table 2 and is structured around;

a) Strengthening Climate Smart Agricultural Research, Seed, and Agro-Climatic Information Systems;
b) Promoting Adoption of Climate Smart Agriculture Technologies and Practices;
c) Market Development and Linkages to Selected Value Chains;
d) Contingency Emergency Response; and
e) Project Management, Coordination, and Implementation.

Table 4: Project Componets

COMPONENT	DESCRIPTION	AMOUNT
Component 1: Strengthening Climate Smart Agricultural Research, Seed, and Agro-Climatic Information Systems	The objective of this component is to support the development, validation, packaging, and dissemination of context-specific Climate Smart Agriculture Technologies, Innovations, and Management Practices (TIMPs) to target beneficiaries. Some of the key investments include: establishment of well-equipped sub-county Artificial Intelligence centers; procurement of machinery; installation of irrigation systems for post control evaluation; seed inspection, verification and certification; and procurement and deployment of seed traceability systems. i. **Supporting Climate Smart Agricultural Research and Innovations. (US$9.8 million - IDA).** The National Agricultural Research Organization (NARO) will administer and manage a Competitive Research Grant (CRG) scheme to finance adaptive and applied research activities for development of demanded CSA TIMPs based on current and emerging technology needs including the needs of Refugee Hosting Districts (RHDs). ii. **Building Competitive and Sustainable Seed Systems (US$12.9 million - IDA; US$1 million - WHR).** Financing will be for supporting farmers and farmer organizations in project districts including RHDs and refugee settlements that express a business interest in multiplying climate resilient planting, livestock, and aquaculture seed/stocking materials as an enterprise, establishing out-grower schemes	US$66.9 million equivalent (**US$64.6 million IDA Loan** and US$2.3 million WHR)

in the community and directly contracting with private sector multipliers in the production and distribution of quality climate smart commercial seed through a matching grant scheme and supporting farmer organizations to acquire and use infrastructure, equipment, technology, and gain technical skills for strengthening seeds, breeds, and fingerling production systems, including strengthening artificial insemination services;

iii. **Strengthening Agro-Climate Monitoring and Information Systems (US$10.6 million – IDA).** Financing will be for: acquisition and establishment of functional automated weather stations and related equipment in locations where gaps have been identified to improve agro-meteorological forecasting and monitoring; rehabilitation and upgrading of existing weather stations in project areas; facilitating partnership with Uganda National Meteorological Authority (UNMA) to build capacity of MAAIF and local governments in agro-met data collection, management, analysis and dissemination; and enhancement of UNMA's capacity in agro-met data collection, management, analysis and dissemination.

iv. **Strengthening Institutional Capacity for Development and Dissemination of CSA TIMPs of Public Agricultural Research Institute (PARIs) and the Animal Genetic Resource Centers (US$31.3 million - IDA; US$1.3 million - WHR).** This subcomponent will finance training of district extension staff and farmer producer organizations (POs); training of district CSA subject matter specialists to strengthen research-extension linkage; support the certification and production of seeds, breeds and fingerlings to ensure seed quality including provision of machinery, laboratory, and irrigation equipment for seed testing and evaluation; refurbishment of infrastructure for technology multiplication of Animal Genetic Resource Center (AnGRCs) **(Rubona, Serere and Maruzi);** rehabilitation and equipping of laboratories, bull pens, and bull stud (National Animal Genetic Resources Center and Data Bank (NAGRC&DB)) National Center); provision of mobile artificial reproductive technology laboratories and equipment; establishment of artificial technology satellite centers; establishment and operationalization of regional and district veterinary laboratories; revamping of National Animal Quarantine and Evaluation Center; acquisition of tractors and associated implements including specialized ground transport for AnGRCs; refurbishment of aquaculture fish disease diagnostic laboratory; short term training and re-tooling of

	staff (mainly from Zonal Agricultural Research Development Institutes (ZARDIs)) in CSA research; training of MSc and PhD scientists to build critical capacity for CSA research; provision and refurbishment of aquaculture brood stock hatcheries, indoor hatcheries, cage culture facilities, and feed facilities for formulation of feed at NARO facility; development and refurbishment for technology multiplication of AnGRC (Serere); procurement of research breeding bulls at NARO; establishment of fish feed mill for fish feed production; establishment/rehabilitation/expansion of mother gardens at PARIs; expansion and maintenance of irrigation facilities at PARIs; breeding programs for production of sorghum breeder seed; and acquisition of tractors, farm machinery, and specialized ground transport for PARIs.	
Component 2: Promoting Adoption of Climate Smart Agriculture Technologies and Practices	The objective of this component is to support investments for upscaling and adoption of CSA TIMPs. These include SLM practices for improved resilience, GHG mitigation, agricultural productivity, and incomes in project areas. i. **Productivity Enhancement and Resilience Investments for income generation (US$158 million - IDA; US20 million - WHR).** Financing will be for:matching grants for community-level investments to finance micro-projects and district-level investments to finance strategic larger subprojects that benefit several sub-counties and communities; incentive payments through Labor Intensive Public Works (LIPW) for communities to participate in the implementation of SLM practices on communally owned land, SLM incentive payments to farmers whose private lands constitute a large part of the watershed - that construct and adopt recommended SLM practices for a holistic and integrated watershed management approach; provision of mechanization and irrigation services to enhance commercial production for target beneficiaries; provision of extension services through the public extension system; and contracting of service providers defined in the National Agricultural Extension Strategy for services where competency gaps are identified in the public extension system. ii. **Productivity enhancement and resilience for food and nutrition security in refugee settlements (US$5 million - WHR).** Financing will be for; (i) nutrition grants to farmer groups' micro-projects to source foundation climate resilient technologies for multiplication and demonstrations; (ii) scaling up existing food systems-based approaches for dietary diversity such as mainstreaming backyard/kitchen gardens for	(US$204.5 million, of which **US$172 million - IDA; US$32.5 million - WHR)**

	production of micro-nutrient dense foods; (iii) service contracts to partner organizations that support nutrition education to refugees and host communities with particular emphasis on children, pregnant women, and lactating mothers to provide nutrition education training in refugee settlements; (iv) grants to organized refugee farmer groups to access quality climate smart production inputs, micro-irrigation kits and mechanization services; and (v) capacity building for refugee farmer groups to manage savings and revolving fund schemes and where possible, facilitate access to financial services. iii. **Building institutional capacity for productivity enhancement and resilience and strengthening service delivery (US$14 million - IDA; US$7.5 million - WHR).** Financing will be for: (a) supporting districts and sub counties in CSA planning, prioritization of needs, mobilizing, organizing, and aggregating farmer groups into higher-level institutions (Producer Organizations (POs)); (b) supporting districts and sub counties to deliver CSA extension services and oversee implementation of subprojects; and (c) contracting service providers defined in the National Agricultural Extension Strategy to support community mobilization and strengthen farmer and community institutions in planning and implementation of micro-projects, management of savings and revolving fund schemes, capacity strengthening on likely climate risk and impacts as well as adaptation measures; (d) demand driven consultations to orient community mindsets towards climate change mitigation and adaptation for ecosystem protection and restoration and to manage technology uptake and promotion; and (e) facilitate the provision of information, knowledge, and advice through farmer field schools and lead farmers for last-mile service delivery.	
Component 3: Market Development and Linkages for Selected Value Chains	The objective of this component is to improve access to remunerative markets through increased access to climate smart harvesting, postharvest handling, storage, value addition, market linkage services, equipment, and infrastructure by higher-level institutions (Producer Organizations). i. **Investments in market development and linkages for selected value chains (US$44 million - IDA).** Financing will be for (a) national technical assistance through existing pluralistic agriculture extension system and private sector providers to strengthen the institutional capacity of POs for demand articulation, business planning, and market access; (b) Business development services21; (c) matching grants for clean energy equipment, machinery and infrastructure for	US$57.3 million, **of which US$44 million - IDA; US$13.3 million - WHR)**

	harvesting (for example, solar dryers), postharvest management and value addition to minimize losses (for example, climate smart grain storage and solar-powered cold storage), improvement of quality and shelf life of produce (through sustainable packaging), and reduction of the overall contribution of agro value chains to sectoral GHG emissions; (d) Promotion of market linkages to enable generated production access remunerative markets; **(e) market infrastructure and rehabilitation of specific bottlenecks and trouble spots on farm access road chokes that constrain access to physical input and produce markets (designed to reduce the impact of flooding and high temperatures among other climate hazards).** ii. **Investments in market development for selected value chains for farmers in refugee settlements and host communities (US$13.3 million - WHR).** Financing will be for (a) skills development for selected youth, district and sub-county local government extension staff to improve service delivery (b) matching grants for clean energy equipment, machinery, and infrastructure for harvesting and postharvest value addition to minimize losses and improve the quality and shelf life of produce.	
Component 4: Contingency Emergency Response Component (CERC)	This zero-cost component will finance eligible expenditures under the Immediate Response Mechanism in case of natural or man-made crises or disasters such as severe droughts, floods, specific pests and disease outbreaks, and severe economic shocks in Uganda. For CERC to be activated, and financing to be provided, the Government will need: (a) to submit a request letter for CERC activation and the evidence required to determine the eligibility of the emergency as defined in the Project Implementation Manual (PIM); (b) an Emergency Action Plan, including the emergency expenditures to be financed; and (c) to meet the environmental and social requirements as agreed in the Environmental and Social Commitment Plan (ESCP) . In such cases, uncommitted funds from other project components will be reallocated to finance the emergency response expenditures to meet agricultural crises and emergency needs. The emergency response would include mitigation, recovery, and reconstruction.	(US$0 million - IDA)
Component 5: Project Management, Coordination, and Implementa	This component will support the management, monitoring, and evaluation of the project. It will strengthen the planning and coordination of activities supported by the project, as well as the monitoring of their implementation, financial management (FM) processes, program communication, and knowledge management. The component will finance the baseline, midline, and end-of-project evaluations; conduct	US$21.3 million, **of which US$19.4 million - IDA; US$1.9**

tion	specialized studies (quantitative, qualitative, and quality of implementation processes) on demand; and support development and operation of an information and communication technology-based agricultural information system. i. **Project management and coordination and implementation at the national, zonal, district, and subcounty levels (US$7.2 million - IDA, US$0.5 million - WHR)).** Financing will be for: (i) effective coordination of project activities; (ii) coordination and management with structures at national, zonal, district, sub-county and parish levels; (iii) alignment with existing implementation structures in the RHDs and refugee settlements established through OPM; (iv) recruitment of key project support staff for project implementation support; and (v) supporting the Accountant General's office in recording, monitoring and reporting on the assets created along the project's lifecycle. ii. **Project monitoring, evaluation, and learning (US$9 million - IDA, US$1 million - WHR).** This sub-component will finance the: (i) design of a project management information system (MIS) for monitoring inputs, outputs, and processes; (ii) baseline, mid-line and end-line evaluation of outcome and impacts; (iii) Environment and Social (E&S) risks monitoring; and participatory M&E and internal learning; (iv) provision of timely and accurate information, education and communication messages in all project districts, including RHDs and refugee settlements. iii. **Strengthening the environment, social, health and safety (ESHS) risk management system of MAAIF (US$3.2 million - IDA; US$0.4 million - WHR).** Specifically, the sub-component will finance: (a) Building the technical capacity of MAAIF staff and project stakeholders on World Bank Environment and Social standards applicable to the project; (b) Conducting stakeholder engagements and preparing and implementing site-specific instruments and tools including mainstreaming of ESHS aspects in other sector operations; (c) Strengthening ESHS compliance monitoring and supervision by MAAIF; (d) Enhancing MAAIF's E&S management infrastructure such as E-ESHS tracking system, hazardous waste disposal facilities, and analytical monitoring equipment (such as liquid chromatography mass spectrometer, high performance liquid chromatography, accessory equipment, glass wares, standards and reagents for testing the quality of pesticides, and portable test kits for rapid detection of fake fertilizers, among others); (e) Strengthening grievance redress	**million - WHR)**

	mechanism (GRM) structures; (f) Acquiring ESHS statutory permits and certificates in respect of project components; (g) Strengthening gender mainstreaming aspects in the project including sexual exploitation and abuse/gender based violence (GBV); and (h) strengthening stakeholder and institutional participation and mindset change including protection of vulnerable groups.	

***Source: World Bank* Project Appraisal Report No: PAD4978 (November,2022)**

7.0 PROJECT COSTS AND FINANCING ARRANGEMENT

The total estimated cost for the Uganda Climate Smart Agricultural Transformation Project (UCSATP) is USD $354.7 million (Table 5). IDA will provide a loan of USD $ 325 Million (92% of the total project cost) under an Investment Project Financing (IPF) instrument and Window for Host Communities and Refugees (WHR) and a grant of USD $25 million (7% of the total project cost) under the Window for Host Communities and Refugees (WHR). The Government of Uganda will contribute USD $4.7 million (1% of the total project cost) as counterpart funding for the project. The project will be implemented over a period of six years. The breakdown of the project financing by source is shown in table 4. Table 6 further gives the details of various activities under the project and their estimated project cost.

Table 5: Project Financing by Source

Source of Funding	**Amount (USD)**	**% Share**
IDA Loan (IPF & WHR)	325,000,000	92%
IDA Grant (WHR)	25,000,000	7%
Government of Uganda	4,700,000	1%
Total Project Cost	**354,700,000**	

Source: World Bank Project Appraisal Report No: PAD4978 (November,2022),Draft Financing Agreement (25th November,2022)& DRS Staff Computations.

Table 6: Project Budget Cost and Financing

Project Components	Budget by Source ($USD, millions)			
	Total	IDA Credit- (IFP &WHR)	IDA Grant (WHR)	GoU
Component 1: Strengthening Climate Smart Agricultural Research, Seed, and Agro-Climatic Information Systems				
1.1 Supporting Climate Smart Agricultural Research and Innovations	**9.80**	9.8		
1.2 Building Competitive and Sustainable Seed Systems	**13.90**	13.9		
1.3 Strengthening Agro-Climate Monitoring and Information Systems	**10.60**	10.6		
1.4 Strengthening Institutional Capacity for Development and Dissemination of CSA TIMPs of PARIs and the Animal Genetic Resource Centers	**32.60**	32.6		
Component 2: Promoting Adoption of Climate Smart Agriculture Technologies and Practices				
2.1 Productivity Enhancement and Resilience Investments for income generation	**181.29**	158.00	20.00	3.29
2.2 Productivity enhancement and resilience for food and nutrition security in refugee settlements	**5.00**	0.00	5.00	
2.3 Building institutional capacity for productivity enhancement and resilience and strengthening service delivery	**21.50**	21.50		
Component 3: Market Development and Linkages for Selected Value Chains				
3.1 Investments in market development and linkages for selected value chains	**44.00**	44.0		
3.2 Investments in market development for selected value chains for farmers in refugee	**13.30**	13.30		

settlements and host communities				
Component 4: Contingency Emergency Response Component (CERC)				
Contingency Emergency Response Component (CERC)	0.00	0.00		
Component 5: Project Management, Coordination, and Implementation				
5.1 Project management and coordination and implementation at the national, zonal, district, and subcounty levels	**9.11**	7.70		1.41
5.2 Project monitoring, evaluation, and learning	**10.00**	10.00		
5.3 Strengthening the environment, social, health and safety (ESHS) risk management system of MAAIF (	**3.60**	3.60		
TOTAL PROJECT BUDGET COST	**354.70**	**325.00**	**25.00**	**4.70**

Source: World Bank Project Appraisal Report No:PAD4978 (November,2022)

8.0 PROJECT COVERAGE,SELECTION CRITERIA AND BENEFICIARIES

8.1 Project Coverage

The project has targeted agroecological zones that have increasing and high levels of poverty and high levels of land and natural resource degradation as well as low-value production. Agroecological zones included in the project are (a) northeastern dry lands (Karamoja); (b) northeastern savannah grasslands (East Acholi and Northern Lango); (c) Kyoga plains (southeastern Lango, Teso, Bukedi, and northern Busoga); (d) western highlands, southern highlands, southern drylands, and lake Albert crescent; (e) eastern (Elgon) highlands (Bugisu and Sebei); and (f) central region.

8.2 Criteria for selection of districts.

The selection of districts in the agroecological zones is based on climate change vulnerability of the watersheds, poverty levels at subregional level, and watershed degradation. Climate change vulnerability was assessed by rainfall variation received in different watersheds as compared to long-term average, increase in land surface temperature, and frequency of climate related disasters such as flood, drought, hailstorms, and heavy storms. Poverty levels were assessed based on the proportion of poor persons and the proportion of households in subsistence economy in the subregions as reported by the UBoS report 2020. Additional criteria included Refugee Hosting Districts, proportion of households using grid electricity, proportion of households using wood fuel for cooking, and the number of existing project interventions already implemented within the districts. Based on these criteria, the project will be implemented in 69 districts and include 7 RHDs (Lamwo, Isingiro, Kamwenge, Kyegegwa, Kiryandongo, Kikuube, and Adjumani)

8.3 Project Beneficiaries

The project is expected to directly benefit about 760,000 households, and indirectly benefit approximately 1,900,000 households. Among these, beneficiaries from the non-refugee districts will be about 620,000 households. About 60,000 refugee households are expected to directly benefit from the project along with 80,000 refugee-hosting households. The direct beneficiaries of the project are the users of land and its resources including crop, livestock, and fish farmers; pastoralists; forest users; refugees; and their host communities. The project will target individuals within farmer groups, and cooperatives, and will support the formation of groups and cooperatives. The project will also target poor and vulnerable households as well as marginalized groups such as youth and women. Priority and attention shall be given to youth engagement with at least 40 percent of direct beneficiaries expected to be women. The indirect beneficiaries are the household members of the project participants and the users of the rehabilitated lands and sustainably managed natural resources that have not benefited directly from the project but are benefitting indirectly from project activities. It is expected

that about 3,900,000 individuals will directly benefit from project activities (and approximately 9,500,000 individuals will indirectly benefit), of which 265,000 are refugee direct beneficiaries and 400,000 are direct host community beneficiaries. This represents 65% of the total population in the project districts.

9.0 LOAN TERMS, ECONOMIC AND FINANCIAL RETURNS AND BUDGETARY IMPLICATIONS

9.1 Loan Terms

The International Development Association of the World Bank Group will provide credit financing to enable Government of Uganda implement the Uganda Climate Smart Agricultural Transformation Project (UCSATP) under the terms indicated in **Table 7.**

Table 7: Loan Terms

ITEM	TERMS
Amount	USD $325 million
Maturity period	50 years
Grace period	10 years
Commitment Fee	0.5% p.a on the unwithdrawn financing balance

Source: IDA Draft Financing Agreement (25th November,2022)

9.2 Loan Conditions

The loans has the following terms and conditions:

i. Legal opinion of the Attorney General on the loan documentation;
ii. Evidence satisfactory to the bank that Government has an adequate refugee protection framework
iii. Evidence satisfactory to the bank that the Project Implementation Manual has been prepared and adopted by the Government in form and substance acceptable to the bank.
iv. Evidence satisfactory to the bank that Government has established the National Project Coordination Unit with the mandate, composition, terms of references and resources satisfactory to the bank.

9.3 Financing Conditionality

Table 8: Level of Concessionality of the World Bank loan

ITEM	VALUE
Maturity period	50 years
Debt Service of the loan	US$ 329.20 million
PV of Total Debt	US$ 78.09 million
Discount rate	5 %
Grant Element	76%

Source: Draft Loan Agreement, and DRS Computations

From table 8, the present value of the loan (US$ 78.09 million) is lower than the nominal value of the loan contracted (US$ 325 million). This implies that the country's total future payment for this loan is less than the proposed amount to be borrowed in present terms. Total repayment of the loan will amount to US$ 329.20 million. The IDA loan is highly concessional, since its grant element (76%) is larger than the threshold of 35%, recommended by IMF/World Bank. The concessionality of this loan is further influenced by its long maturity period.

9.4 Budget Implications

The project is included in the FY 2023/24 Approved budget estimates for Ministry of Agriculture, Animal Industry and Fisheries (Project code 1786 under Vote 010) with a total provision of 415,370,000,000 (Approx. USD $113.26 Million) of which UGX 413,370,000,000 is external financing for the project while UGX 2,000,000,000 is Government of Uganda Development financing in the FY 2023/24 under vote 010 for financing Fuel,Lubricants and Oils, contract staff salaries,monitoring and supervision of project capital works .

9.5 Economic Benefit and Return of the Project

The economic analysis evaluated the project's benefits and costs to the national economy over a period of 30 years using a discount rate of 6 percent as the opportunity cost of the project resources invested. This resulted into an economic

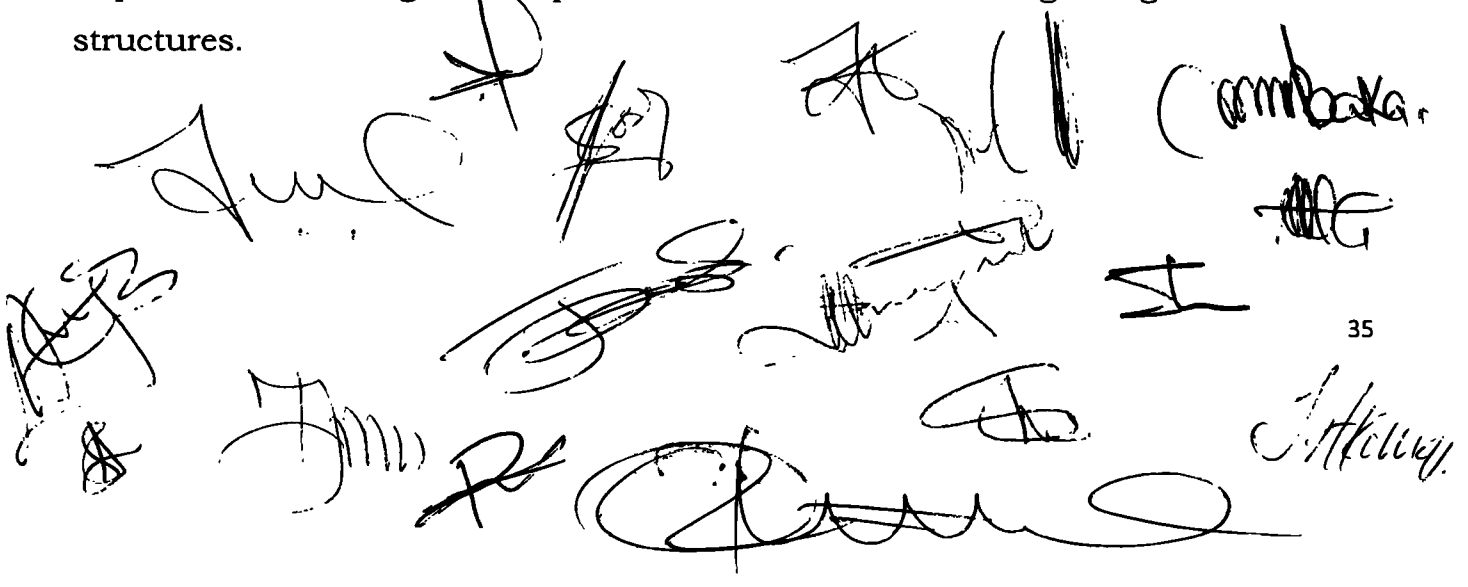
Net Present Value (NPV) of about US$618.6 million, and an economic internal rate of return (EIRR) is 14.6 percent.

10.0 PROJECT IMPLEMENTATION ARRANGEMENTS

The Government will establish the National Project Steering Committee (NPSC) to provide strategic guidance and oversight at the policy level. The NPSC will be co-chaired by the Permanent Secretaries of MoFPED and MAAIF. Key members of the NPSC will include other government ministries (OPM, MTIC, MLG, MoGLSD, NEMA, NFA, MoLHUD, MoWT, and MWE) and senior leadership from line agencies (NARO, NAGRCDB, UNMA). The NPSC secretariat will be the National Project Coordination Unit, which will be responsible for coordinating project implementation.

The Ministry of Agriculture Animal Industry and Fisheries (MAAIF) will be the lead implementing agency with primary operational guidance and implementation functions as well as overall responsibility for project implementation. MAAIF will be supported by the National Agriculture Research Organization (NARO), National Animal Genetic Resources Center and Data Bank (NAGRC&DB) and Uganda National Meteorological Authority (UNMA) as implementing agencies of UCSATP.

District Coordination Structures: The project will leverage existing structures at the District, Sub- County, Parish and refugee settlement levels. Their responsibilities with regards to this project will be guided by the terms of reference issued by the Permanent Secretary of MAAIF to be included in the POM. In RHDs, the district coordination structures will work closely with OPM and the OPM Department of Refugees camp commandant within existing refugee settlement structures.



11.0 PROJECT SUSTAINABILITY

Through the project design and activities, sustainability will be a priority across multiple fronts including institutional, financial, environmental, and socio-behavioral. Institutionally, the project will be careful to build on existing platforms, organizational mechanisms, and farmers groups, where they exist, investing further to grow their organizational and financial capacity—for example, through legal formali ation of farmers' groups—to be able to sustain technical and financial assistance beyond the close of project.

In each component, relevant actors across national and local government, the formal/commercial private sector, and producers are targeted for participation. This is also reflected in an approach to access to finance that aims to offer an appropriate degree of project support (for example, matching grants) while paving the way for participants to graduate to alternative and more commercial sources of finance (for example, through off-taker arrangements or access to credit), without adversely affecting the potential for private sector or relevant government providers to engage.

12.0 THE LOAN CURRENT DEBT SITUATION OF THE COUNTRY

This loan will increase the Country's total nominal public debt stock that preliminarily stood at **UGX.86.779Tn (US$ 23.66 billion)** as at end June 23 (Equivalent to 46.9% of GDP compared to 48.4% as at June 2022). Of the total public debt stock as at June 2023, external debt constituted 60.2% **(US$ 14.24 billion /UGX 52, 206.1 billion)** while domestic debt constituted 39.8% **(USD 9.4 billion/UGX 34,573.8 billion).** Preliminary findings indicate that a total of approximately **USD $ 3.29 Billion (UGX.12.07Tn)** external debt was committed and remained undisbursed as at 30th June 2023 (Annual Debt Statistical Bulletin, MFPED -June 2023). This debt would increase Uganda's stock in the medium term, even without signing any new loans. With the growing level of Public Debt due to its significance in meeting the country's huge financing developrnent needs,

there is need to pay close attention to the cost of debt and the economic rate of return of projects financed through debt.

13.0 OBSERVATIONS AND RECOMMENDATIONS

13.1 LEGAL CONVENANTS OF THE CREDIT FINANCING AGREEMENT

The Committee observed that the draft loan financing agreement highlights the following conditions;

i. In order for the loan disbursements under the project component of Promoting Adoption of Climate Smart Agriculture Technologies and Practices to be triggered upon approval by Parliament, no withdrawal shall be made for Competitive Research Grants for community-level investments to finance micro-projects and district-level investments to finance strategic larger subprojects that benefit several sub-counties and communities, ***unless and until the Government has prepared and adopted the Grants Manual in form and substance acceptable to the World Bank.***

ii. No withdrawal shall be made for Matching Grants (for clean energy equipment, machinery and infrastructure for harvesting, post harvest management and value addition, improvement of quality and shelf life of produce, and reduction of the overall contribution of agro value chains to sectoral Green House Gas emissions); Production Input Grants and Nutrition Grants under the project component of Market Development and Linkages for Selected Value Chains, ***unless and until the Government has prepared and adopted the Grants Manual in form and substance acceptable to the World Bank.***

iii. Research grants Manual will guide the administration of the competitive research grants scheme. The manual developed will clearly articulate the mechanism of generating research priorities, beneficiary selection, selection criteria, key partners, research agenda themes and funding limits. The

Component Manager shall work with the various value chain managers to ensure that the priorities of each of the project value chains are adequately considered when setting the research agenda.

The Committee notes that in some instances the project implementation agencies have heard challenges of late disbursement due to failure to adhere to the set conditonalities.

The Committee recommends that the Ministry of Agriculture, Animal Industry and Fisheries should ensure that the above loan disbursement conditions are timely fulfilled in order to trigger the timely disbursement of the loan credit for the project objectives to be met as planned.

13.2 Need to enhance Project Coordination Mechanism (PCM)

The Committee observed that for the project objectives to be fully met, a high level of coordination is required both at the regional and district levels as well as the inter-ministerial level given the roles and partnerships expected of government agencies, private sector partners, and non-state actors. The project appraisal documents highlights institutional structural roles and responsibilities of different agencies; the national project steering committee, the national project coordination committee, NARO, National Genetic Resources Centre and Data Bank, the Uganda National Meteological Authority, National Advisory Committee, Zonal Technical Committees, District Project Implementation Committee, sub county Technical Planning Committee and Farmer Organisations. Therefore, the risk of inadequate vertical integration and strong coordination cannot be overstated.

The Committee recommends that the Ministry of Agriculture Animal Industry and Fisheries Project Coordination Unit should ensure proper coordination of the project. Accountability procedures that will be issued by the Ministry of Agriculture Animal Industry and Fisheries to participating agencies and districts, spelling out duties and responsibilities together with staff specifically assigned to the project,should be efficient and effective.

13.3 Role of Local Governments during Project Implementation

The Committee observed that a well-resourced and capacitated local governments are critical to mainstreaming of Sustainable Land Management (SLM) interventions as they facilitate rapid scale-up through mobilization of local leadership, identification of local trainers, and provision of extension support as well as implementation supervision. Through subnational governments, capacity for Sustainable Land Management planning, expansion, and maintenance can be promoted and sustained at the lowest levels.

The Committee recommends that the Ministry of Agriculture Animal Industry and Fisheries should ensure that all beneficiary local governments are adequately well resourced and capacitated to enable them promote economies of scale and mindset change among communities regarding the benefits of promoting climate smart technologies, innovations, and management practices (TIMPs) and to enhance community resilience to climatic shocks.

13.4 Low adoption of Climate Smart Technologies

The Committee observed that the agricultural households' inability to anticipate or recover from shocks that affect agriculture and food security on time underscores their high vulnerability to potentially longer-lasting impacts on the economy. Even though a range of Climate Smart Agricuture (CSA) technologies including sustainable land management (SLM) have been promoted and implemented across farmer typologies and agroecological zones in Uganda, the rate of adoption is less than 30 percent. This low adoption is largely attributed to the high initial costs of adoption of the CSA technologies and establishment of necessary structures to undertake SLM practices. The introduction, promotion and eventual adoption of SLM and CSA Technologies, Innovations, and Management Practices (TIMPs) under UCSATP stand a chance of enhancing productivity, improving livelihoods and

strengthening the resilience of both people and ecosystems; in essence halting the economic costs of climate change.

The Committee recommends that Government should put in place incentives that strengthen the private sector involvement in provision of affordable CSA technologies including research and extension services. This will enable the private sector to effectively and efficiently contribute to enhancing productivity, improve livelihoods and strengthening the resilience of both agricultural households and ecosystems,leading to halting the economic costs of climate change.

13.5 Agricultural Research, Breeding and Appropriate Technology Development

The Committee observed that the generation and development of technologies and adaptive research by the National Agricultural Research Organisation (NARO) institutions has continued although most interventions were partially done and results were inconclusive. This was attributed to persistent challenges of drought, lack of appropriate agro-machinery and laboratories, inadequate vehicles and equipment, incomplete research infrastructure, migration of technical staff to universities coupled with underfunding.

In addition, animal conservation and breeding continued at the National Animal Genetic Resource Centre and Data Bank (NAGRC&DB) farms although performance at a slow pace. Construction of administrative and breeding infrastructure was minimal and, in some cases, halted which negatively impacted on the breeding programme. This is largely attributed to underfunding of animal conservation and breeding interventions at the the National Animal Genetic Resource Centre and Data Bank (NAGRC&DB) farms.

Further, the livestock breeding and multiplication performance was average on NAGRC&DB farms due to persistent challenges: inadequate access to improved animal breeds for breeding at NAGRC&DB farms and by farmers; land wrangles

and encroachment; inadequate pastures and water for production; donations for socio-corporate responsibility and festive seasons and deaths due to pests and diseases and old age of animals.

The Committee recommends that the project should ensure that the prototypes which have been developed and not reaching the final production are finalized in order to start commercialising the products.

13.6 Need to enhance Agricultural Extension Personnel

The Committee observed that by 30th June 2023, staffing levels of extension workers at the national level stood 4,310 (44.6%) against the approved staffing numbers of 9,665, thus leaving 5,355 (55.4 %) positions vacant. On average, the extension worker to farmer ratio was one extension worker to 1,800 households (1:1800), much higher than the recommended ratio of one extension worker to 500 households (1:500) in Uganda.

The Committee was informed that the outreach of extension services to farmers in Local Governments (LGs) was consequently low due to inadequate personnel, inadequate funding to facilitate the extension workers, repurposing of funds from planned extension activities to operationalization of the Parish Development Model (PDM); and impassable roads mostly in hard-to-reach areas. The extension services in support of the PDM focused on enterprise group formation, selection of priority enterprises and farmer education on group dynamics and financial management to enable households move from subsistence to commercial farming.

The Committee notes that implementing government projects and programs without deploying adequate extension workers negatively affects their performance.

The Committee recommends that Government and MAAIF should prioritize recruitment and equipping extension workers to oversee the implementation of the agricultural smart project and PDM; special attention should be given to newly created Administrative Units.

13.7 Storage, Agro-Processing and Value Addition

The Committee observed that significant progress was made in the establishment of storage, processing and value-addition facilities by NAADS, UCDA, MAAIF, Uganda Development Corporation (UDC), and the Ministry of Local Government (MoLG). However, the functionality of the established facilities has not been realized fully due to key constraints including lack of power connectivity, inadequate raw materials, cooperative managers and beneficiaries who lacked technical expertise of how to operate the machines, poor planning for operationalisation of the facilities and missing parts in some of the machines. The delays in the completion of the facilities were attributed to weak contract management; and low contractor capacity to undertake multiple contracts. For example, a total of 358 value addition and storage facilities (68 storage and 290 both storage and value addition) were planned to be completed during the FY22/23 under the World Bank funded Agriculture Cluster Development Project through matching grants. However, out of the planned 290 value addition and storage facilities, only 139 (48%) were completed and operational; 75 (26%) were completed but not operational due to lack of power connectivity and 76 (26%) were under construction. The completed storage facilities provided storage capacity of 54,579 metric tonnes. The established facilities were for maize, beans, cassava, coffee and rice.

The Committee recommends as follows;

- **The Ministry of Agriculture Animal Industry and Fisheries (MAAIF) should strengthen inter-programme synergies with Ministry of Energy and Mineral Development to ensure that planning for power investments is done at project inception. More synergies should be with the ministry of Trade Industries and**
- **The Ministry of Agriculture Animal Industry and Fisheries (MAAIF) should enhance the capacity of technical staff in contract management.**

13.8 Low Absorption of loan Financed Projects in the Agriculture Sector

The Committee observed that absorption of funds for loan financed projects in the Agriculre sector is very low. The current low disbursement is attributed to the continued slow pace by government in fulfillment of loan effectiveness conditions, costly land compensation claims and inadequate project preparedness for these projects.

There are 6 approved ongoing projects in the agricultural sector being implemented by Ministry of Agriculture Animal Industry and Fisheries amounting to **US$ 466.38 million** of which US$ **176.77 million** has been disbursed representing an average disbursement rate of 37.9% as at 30th June , 2023.

The Committee recommends that Ministry of Finance, Planning and Economic Development and the Ministry of Agriculture Animal Industry and Fisheries should ensure that all inefficiencies that affect the sufficient utilization/absorption of funds for debt financed projects in the Agriculture Sector are mitigated to guarantee the timely realization of the project development objectives and expected social and economic benefits.

13.9 Public Debt Portfolio Analysis

The Committee observed that the preliminary Country's total nominal public debt stock stood at UGX.86.779Tn (US$ 23.66 billion) as at end June 23 (Equivalent to 46.9% of GDP compared to 48.4% as at June 2022). Of the total public debt stock as at June 2023, external debt constituted 60.2% (US$ 14.24 billion /UGX 52, 206.1 billion) while domestic debt constituted 39.8% (USD 9.4 billion/UGX 34,573.8 billion).

Preliminary findings from the Annual Debt Statistical Bulletin, (MFPED -June 2023) indicate that a total of approximately **USD $ 3.29 Billion (UGX.12.07Tn)** external debt was committed and remained undisbursed as at 30th June 2023 This debt would increase Uganda's stock in the medium term, even without signing any new loans. With the growing level of Public Debt due to its significance in

meeting the country's huge financing developrnent needs, there is need to pay close attention to the cost of debt and the economic rate of return of projects financed through debt.

The Committee recommends as follows;

- **Given the existing global uncertainties (Lower Global Growth, Persistent high inflation in advanced economies, tight global financial conditions, slow growth in domestic revenue and climate change disruptions), the MoFPED should prudently project and manage the funding mix as well as review its priorities to avoid escalation of debt beyond a sustainable level.**
- **MoFPED should fast track implementation of strategies to enhance domestic revenue generation for the country and/or reducing/rationalizing government expenditures.**
- **Acquisition of additional debt should be targeted towards those sectors that trigger export growth & contribute to domestic revenue mobilization.**

13.10 Criteria for selection of beneficial districts

The Committee was informed that the selection of the benefinicially districts were based on the following criteria; climate change vulnerability of the watersheds, poverty levels of subregional level and watershed degradation. The Committee however notes, that some of the districts which met the critiria were omitted. For example; Namayingo, Busia, Masaka Soroti, Kwania, Lira, Gulu, Rwampara, Ntungamo, Pakwach, Kapchorwa, Mukono, Nabilatuku, Luwero, Kalungu, Kalangala and Buvuma.

The Committee recommends that the districts of Namayingo, Busia, Masaka Soroti, Kwania, Lira, Gulu, Rwampara, Ntungamo, Pakwach, Kapchorwa, Mukono, Nabilatuku, Luwero, Kalungu, Kalangala and Buvuma should be absorbed on the climate smart project due to the climate change vulnerability of the watersheds, poverty levels of subregional level and watershed degradation concerns in these districts. The inclusion of these districts will not alter the value chain in their respective sub-regions.

14.0 CONCLUSION

The Committee therefore recommends that the the request by Government to borrow up to USD 325 million and receive a grant of up to SDR 19.5 million (equivalent to USD 25 million) from the International Development Association (IDA) of the World Bank group to finance the Uganda Climate Smart Agricultural Transformation Project (UCSATP) be approved subject to the recommendations herein.

I beg to report.

COMMITTEE ON NATIONAL ECONOMY

REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PROPOSAL BY GOVERNMENT TO BORROW UP TO USD 325 MILLION AND RECEIVE A GRANT OF UP TO SDR 19.5 MILLION (EQUIVALENT TO USD 25 MILLION) FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) OF THE WORLD BANK GROUP TO FINANCE THE UGANDA CLIMATE SMART AGRICULTURAL TRANSFORMATION PROJECT – 5/12/2023

S/N	NAME	CONSTITUTENCY	SIGNATURE
1.	**Hon. Ikojo John Bosco C/P**	**Bukedea County**	
2.	**Hon. Migadde Robert Ndugwa D/CP**	**Buvuma Islands County**	
3.	Hon. Awich Jane	DWR Kaberamaido	
4.	Hon. Ayoo Tonny	Kwania County	
5.	Hon. Andrew Ojok Oulanya	Omoro	
6.	Hon. Baka Stephen Mugabi	Bukooli County North	
7.	Hon. Katwesigye Oliver Koyekyenga	DWR Buhweju	
8.	Hon. Natukunda Midius	DWR Rukungiri	
9.	Hon. Byarugaba Alex Bakunda	Isingiro County South	
10.	Hon. Chemutai Phyllis	DWR Kapchorwa	
11.	Hon. Etuka Isaac Joakino	Upper Madi County	
12.	Hon. Isabirye Iddi	Bunya County South	
13.	Hon. Kajwengye Twinomugisha Wilson	Nyabushozi County	
14.	Hon. Agaba Aisa	Bugangaizi East County	
15.	Hon. Kemirembe Pauline Kyaka	DWR Lyantonde	
16.	Hon. Lematia Ruth Molly Ondoru	Maracha East County	
17.	Hon. Lochap Peterkhen	Bokora East County	

18.	Hon. Twinobusingye Jovanice	DWR Kiruhura	
19.	Hon. Aber Lillian	DWR Kitgum	
20.	Hon. Avur Jane Pacuto	DWR Pakwach	
21.	Hon. Byanyima Nathan	Bukanga North County	
22.	Hon. Kibalya Henry Maurice	Bugabula County South	
23.	Hon. Awas Sylvia Vicky	DWR Nabilatuk	
24.	Hon. Kwizera Paul	Kisoro Municipality	
25.	Hon. Wokorach Simon Peter	Aswa County	
26.	Hon. Teira John	Bugabula County North	
27.	Hon. Ebwalu Jonathan	Soroti West Division	
28.	Hon. Atugonza Allan	Buliisa County	
29.	Hon. Makhoha Margaret	DWR Namayingo	
30.	Hon. Abeja Susan Jolly	DWR Otuke	
31.	Hon. Macho Geofrey	Busia Municipality	
32.	Hon. Tusiime Julius Karuhanga	Rwampara East County	
33.	Hon. Kabuusu Moses	Kyamuswa County	
34.	Hon. Oguzu Lee Denis	Maracha County	
35.	Hon. Akena James Micheal Jimmy	Lira East Division	
36.	Hon. Kayondo Fred	Mukono County South	
37.	Hon. Katabazi Francis Katongole	Kalungu East County	
38.	Hon. Kirumira Hassan	Katikamu County South	
39.	Hon. Nyeko Derrick	Makindye Division East	
40.	Hon. Saazi Godfrey	Gomba East County	

41.	Hon. Bwanika Abed	Kimaanya-Kabonera Division	
42.	Hon. Gen. James Mugira	UPDF	