

## Climate Change Adaptation in Agriculture in Uganda

<p><b>Key results:</b>  <b>Increased adoption of climate resilient agricultural practices</b>  <b>Indicators and expected results:</b>            1. 16,200 additional hectares under CSA practices            2. 8 water resources and smallholder irrigation infrastructure managed and rehabilitated            3. Reduced net Green House Gas (GHG) emissions and amount of carbon sequestered – target still to be determined            4. 27,000 additional beneficiaries benefiting of improved climate adaptation and resilience as a result of the activity</p> <p><b>Justification for support:</b>            Uganda is one of the countries at greatest risk from climate change and one of the least prepared. Uganda’s agricultural sector is experiencing climate change effects manifested through, frequent and severe dry spells, floods, high temperature and increased incidence of pests and diseases. Vulnerability to climate change is exacerbated by land degradation, resulting in reduced productivity, loss and damages, and low sector performance.            The continued lack of real transformation of the agricultural sector renders achievements within the sector unsustainable and keeps population vulnerable to external shocks, such as climate change. Increased efforts within the sector, maintaining focus on climate-smart approaches as well as growth, while increasingly involving and tasking GoU, will potentially contribute to an important breakthrough in transformation.</p> <p><b>Major risks and challenges:</b>            - COVID-19 pandemic response measures reducing agricultural activities, outputs and marketing. Mitigated by labour intensive public works and boosting farmers participation in an electronic voucher system and access to agricultural inputs            - Climate change will worsen the situation by increasing water stress as well as extreme weather. Mitigated by management of natural resources through improved sharing and communal participation            -Weaknesses in government systems leading to weak performance. Mitigated by a Project Coordination Unit (PCU) established within Ministry of Agriculture to manage project implementation and close monitoring by WB and RDE.            - Growing public provision of free agricultural inputs directly to farmers. Mitigated by continuous dialogue with Minister.            - Denmark being associated with major corruption case. Mitigated by strengthened PCU, control systems, monitoring and capacity building being provided to producer organizations and other local groups involved in the project</p>	<b>File No.</b>	2020 – 30130																							
	<b>Country</b>	Uganda																							
	<b>Responsible Unit</b>	Kampala																							
	<b>Sector</b>	Climate																							
	<b>Partner</b>	World Bank																							
		<i>DKK mill.</i>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Tot.</b>																	
	<b>Commitment</b>	40	0	0	0	0	0	40																	
	<b>Projected ann. disb.</b>	0	25	15	0	0	0	40																	
	<b>Duration</b>	01.01.2021 – 31.12.2022																							
	<b>Previous grants</b>	None																							
	<b>Finance Act code</b>	§ 06.34.01.70 Klimapulje																							
	<b>Head of unit</b>	Nicolaj Hejberg Petersen																							
	<b>Desk officer</b>	Victor Azza Vuzzi																							
	<b>Reviewed by CFO</b>	Ulrik Jorgensen, a.i.																							
<b>Relevant SDGs [Maximum 5 – highlight with grey]</b>																									
<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="background-color: #cccccc;"> No Poverty</td> <td style="background-color: #cccccc;"> No Hunger</td> <td style="background-color: #cccccc;"> Good Health, Wellbeing</td> <td style="background-color: #cccccc;"> Quality Education</td> <td style="background-color: #cccccc;"> Gender Equality</td> <td style="background-color: #cccccc;"> Clean Water, Sanitation</td> </tr> <tr> <td style="background-color: #cccccc;"> Affordable Clean Energy</td> <td style="background-color: #cccccc;"> Decent Jobs, Econ. Growth</td> <td style="background-color: #cccccc;"> Industry, Innovation, Infrastructure</td> <td style="background-color: #cccccc;"> Reduced Inequalities</td> <td style="background-color: #cccccc;"> Sustainable Cities, Communities</td> <td style="background-color: #cccccc;"> Responsible Consumption</td> </tr> <tr> <td style="background-color: #cccccc;"> Climate Action</td> <td style="background-color: #cccccc;"> Life below Water</td> <td style="background-color: #cccccc;"> Life on Land</td> <td style="background-color: #cccccc;"> Peace &amp; Justice, strong Inst.</td> <td style="background-color: #cccccc;"> Partnerships for Goals</td> <td></td> </tr> </table>								 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation	 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption	 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals	
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### Strategic objectives:

Strengthen resilience of small holder farmers in Uganda through climate change adaptation.

### Justification for choice of partner:

By working through the WB and its country systems, funds are channelled through the WB Multi Donor Trust Fund in Uganda, WB ensures accountability, results and impact. In terms of development effectiveness, this support would pave a way to “Greening” the ACDP, just as it would increase Denmark’s ability to influence national strategies on agricultural and environmental development.

### Summary:

Support to climate adaptation activities of ACDP of Ministry of Agriculture, Animal Industry and Fisheries through WB Multi Donor Trust Fund to improve water resource management and secure increased access to water for farmers through adoption of sustainable land management practices, repair and maintenance of the irrigation infrastructure and boosting of participation in eVoucher

### Budget:

Output 1 Support to increased adoption of sustainable land management practices	DKK 12.70
Output 2 Support to repair and maintenance of the irrigation infrastructure	DKK 6.30
Output 3 Support to boosting farmers participation in eVoucher	DKK 15.90
Output 4 Monitoring and evaluation	DKK 1.30
WB executed studies	DKK 0.70
WB Administration	DKK 3.10
<b>Total</b>	<b>DKK 40.00 mill.</b>

**Ministry of Foreign Affairs of Denmark (MFA)**

**Climate Change Adaptation in Agriculture in Uganda through support  
to ACDP via the World Bank  
(CCAAU)**

**2021 – 2022**

**Project Document**

**FINAL  
13<sup>th</sup> October 2020**

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## Abbreviations and Acronyms

ACCEs	Area-based Commodity Cooperative Enterprise
ACDP	Agriculture Cluster Development Project
AfD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ASSP	Agriculture Sector Strategic Plan
ATAAS	Agricultural Technology and Agribusiness Advisory Services
CAO	Chief Administrative Officer
CCAAU	Climate Change Adaptation in Agriculture in Uganda
CMSP	Cluster Multi-Stakeholder Platform
COVID	Coronavirus Disease
CSA	Climate-Smart Agriculture
DAO	District Agricultural Officer
DCT	District Coordination Team
DLGs	District Local Governments
DPs	Development Partners
DPs	Development Partners
DRC	Democratic Republic of Congo
EAAPP	East Africa Agricultural Productivity Project
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EVP	eVoucher Program
FAO	Food and Agriculture Organization of the United Nations
FINMAP	Financial Management and Accountability Programme
FM	Financial Management
GAPs	Good Agriculture Practices
GHG	Greenhouse Gases
GoU	Government of Uganda
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISM	Implementation Support Mission
JICA	Japan International Cooperation Agency
KOICA	Korean International Cooperation Agency,
LDPG	Local Development Partners' Group
LG	Local Government
LIPW	labour intensive public works
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDTF	Multi-Donor Trust Fund
MFA	Ministry of Foreign Affairs of Denmark
MoFPED	Ministry of Finance, Planning and Economic Development
MoWT	Ministry of Works and Transport
MWE	Ministry of Water and Environment
NAADS	National Agriculture Advisory Services
ND-GAIN	Notre Dame Global Adaptation Initiative
NDPs	National Development Plans (
NPSC	National Project Steering Committee
NURI	Northern Uganda Resilience Initiative
OWC	Operation Wealth Creation
PAD	Program Appraisal Document

PCU	Project Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIM	Project Implementation Manual
RDE	Royal Danish Embassy
RPOs	Rural Producer Organizations
SC	Steering Committee
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Cooperation Agency
SLM	Sustainable Land Management
SME	Small and Medium-sized Enterprises
UCA	Uganda Cooperative Alliance
UNDP	United Nations Development Programme
UPDF	Uganda People's Defence Force
UPSIDE	Uganda Programme for Sustainable and Inclusive Development of the Economy
US	United States (of America)
USAID	United States Agency for International Development
WB	World Bank
WRM	Water Resource Management

## 1. Introduction

Uganda is ranked 166 out of 181 nations on the ND-GAIN Index<sup>1</sup>, which means the country is highly vulnerable to climate change and other global challenges but inadequately prepared to deal with them. The COVID – 19 pandemic has further eroded the country capacity to respond amidst the backdrop of the urgent need to invest in recovery packages, budget shortfalls, declining revenues and mounting debt.

In the recent past, Uganda has formulated several frameworks and introduced a number of initiatives to address climate change adaptation and mitigation at the national level. These include Uganda’s National Adaptation Plan of Action 2007, Policy for Disaster Preparedness and Management of 2010, the National Climate Change Policy 2014, the Uganda Strategic Investment Framework for Sustainable Land Management 2010 – 2020, the Uganda Climate-Smart Agricultural Program 2015 – 2025, the Uganda Green Growth Development Strategy (UGGDS) – 2017, the National Development Plan II & III (2015-2020 & 2020-2025), and Vision 2040. Also, in the offing is the Climate Change Act, the bill has been approved by Cabinet and in the floor of Parliament for enactment. Once enacted, the Act will require government ministries, departments, and agencies, local governments, private sector and individuals to undertake their designated roles in climate change responses, measures and actions. It will further give the force of law in Uganda to the United Nations Framework Convention on Climate Change, the Kyoto Protocol the Paris Agreement; and other related matters. Common for all the Ugandan frameworks is that focus is on adaptation. These frameworks acknowledge the significant impacts of climate change on the agriculture sector and provide for measures to build resilience. Indispensable as these frameworks and initiatives are, implementation and financing of climate action has been quite limited.

Through the Climate Envelope, Denmark supports developing countries’ efforts in implementing the Paris Agreement, carrying out climate adaptation measures, and reducing CO2 emissions. The ongoing bilateral country programme (2018 – 2023) is anchored on green-growth agenda. In particular, the “UPSIDE” thematic programme is premised on the rationale that environmentally responsible investments geared to improved productivity and value addition in agri-businesses and among smallholder-farmers, will enhance resilience and equitable economic development.

With funds from the Climate Envelope, the embassy seeks to further promote green- growth in the agricultural sector of Uganda. Prior to the outbreak of the global COVID-19 Pandemic, the embassy had planned for interventions that would focus on water resource management and access to clean water for farmers in Uganda. The COVID-19 pandemic has severely affected farm households’ incomes and purchasing power, justifying the need to include growth and income objectives alongside pursuing the water agenda.

## 2. Brief summary of issues to be addressed and institutional context

Motivated by the adverse impact of climate change, the proposed project will focus on climate change adaptation in agriculture in Uganda by supporting climate change adaptation based on green approaches and technologies such as CSA, Sustainable Land Management and Irrigation. The project will address the issue of inappropriate agricultural practices and unreliable rainfall, which are affecting agricultural production and at the same time increasing GHG emissions. If not addressed, these risk pulling many smallholder farmers into poverty.

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<sup>1</sup> <https://gain.nd.edu/our-work/country-index/>

The COVID-19 pandemic with its devastating impacts on livelihoods, employment, businesses, social relations has furthermore increased the importance and relevance of providing opportunities for injection of liquidity in the rural areas, while working with longer term improvement of the productivity in agriculture.

The longstanding inequality that leaves women and youth in the shadows of development has been exacerbated by vulnerability to climate change and current shocks of COVID – 19. The project will promote inclusion and ensure it is measured and tracked through gender and age disaggregated data.

For resilience to be built, national and local institutions as well as individuals need to have their capacity enhanced in terms of knowledge, skills and sustainable finances. This theme will be integrated into all interventions.

### **3. Strategic considerations and justification**

#### **3.1. Context for the programme and development engagements.**

The climate change adaptation in agriculture in Uganda (CCAAU) project will support the Agricultural Cluster Development Project of Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) through local Multi-Donor Trust Fund (MDTF) of the World Bank. It will improve water resource management and secure increased access to water for farmers in Uganda through increased adoption of sustainable land management practices, repair and maintenance of smallholder irrigation infrastructure with a focus on efficiency measures, rehabilitation of rural farm access roads and boosting of farmers participation in eVoucher scheme. eVoucher is a mobile application by the Government of Uganda for Farmers and National Agro-dealers to facilitate input orders, purchases and redemption within the Government's crop subsidy program.

Under the ongoing Country Programme, Denmark provides solid support to developing Climate Smart Agricultural practises in Northern Uganda through a direct implementation modality. Complementing this by supporting MAAIF through a partnership with the World Bank, offers a broader and more holistic approach of Denmark's development engagement in the country, in terms of both partnership and instruments, thereby also allowing for joint programming with a strong multilateral partner to further promote and bring leverage to Danish political priorities. Working with national systems, drawing on the strengths of a strong multilateral partner, consolidates the ambitions in the present strategy on sustainability and resilience, and leverages the strategic influence on policies and – particularly green - priorities.

MAAIF has been a driving force of the formulation of the CCAAU, showing strong ownership at the technical level in the ACDP PCU, as well as at senior management level, including PS MAAIF and the Commissioner Planning. Other key GOU partners include the Ministry of Finance, Planning and Economic Development (MoFPED), which will be involved at the time of signing the agreement. The Ministry of Water and Environment may be involved indirectly, through project linkages with the Country Programme's large bilateral resilience engagement, Northern Uganda Resilience Initiative (NURI).

#### **3.2. Results and learnings from previous cooperation**

*Results:* The ACDP has been implemented since 2017. The project struggled initially. Though approved by WB in 2015, the required approval by the Ugandan parliament did not take place until 2017 due to the 2016 general elections, which interrupted approval process as consideration was deferred to a new parliament. It also encountered difficulties in finding a service provider to

develop e-Voucher scheme causing further delays. Project performance has since picked up. Disbursement doubled from 25% to 52% between two Implementation Support Missions (ISMs) in September 2019 and April 2020. Preliminary results from preparatory phase of the Midterm Review reveal that the farmers' yields in the clusters and districts using improved agricultural technologies such as seed, fertilizer, pest protection has risen from 20% to 73%. Seventy percent (70%) of the farmers received the inputs using the eVoucher, which is higher than the set target of 65 % for the program. This has led to increased productivity and production by 15% and 25% respectively. Marketable volumes have risen by 30% largely because of increased adoption of improved post-harvest handling practices. The MTR of the ACDP was undertaken as planned from 7th – 17th September 2020. As such, the timing of the MTR has coincided with the formulation of the present support for CCAAU, hence it has not been possible to fully draw on the findings. The WB has verbally shared preliminary findings which has fed into the formulation of the programme, while additional recommendations, that may affect the proposed project, will be incorporated as necessary.

The performance could have been even better had it not been for heavy rains during the second season of 2019 which led to crop failure, higher post-harvest losses due to inadequate drying of crop produce, and increased severity of the road chokes. During the first season of 2020, there was delayed planting due to late delivery of inputs. This exacerbated the challenges farmers had in raising their contributions, which further affected performance. COVID-19 significantly worsened the situation. Social distancing and limitation of public transport curtailed farmers' ability to access markets for their produce. The closure of rural markets and restrictions on travel eroded savings, limited incomes from marketed produce, and reduced investments.

In the short and medium term, participation of farmers in the eVoucher scheme will therefore be further affected, as many farmers will not be able to meet their contribution. Still, the project has a great opportunity to increase eVoucher performance, as a large number of farmers are showing interest in the scheme by enrolling. Several measures have been put in place to ensure that all the orders made by farmers are delivered within the season such as engagement with national agro-input dealers to establish local distribution networks and addressing challenges of system functionality.

In summary, the key learnings emerging from first half of project life are: i) it takes time for farmers to sign up to the eVoucher scheme. This is partly due to the mind-set that the government provides free inputs but also the challenge of raising contributions. ii) Graduation from one cycle to the next is not happening as envisaged. So far, the graduation from cycle 1 to 2 is at only 2% and from cycle 2 to 3 is at 0.1%. iii) The response of input dealers to the business opportunities created by eVoucher has been extremely low. The assumption that input distributors including exporters would rapidly expand their networks in response to the opportunity afforded by the demand from eVoucher has not yet materialized. In some district there are no dealers' outlets and even less so at sub-county level. This makes it difficult for farmers to access inputs even though they have funds in their wallets. These lessons need to be addressed through intensive mobilisation of beneficiaries and enhancing farmers' savings and lending schemes to enable farmers borrow towards their contributions. Mobilisation of farmers and enhanced farmers saving will in part be addressed through LIPW from which farmers will earn extra income, and through matching grants to support savings and lending operations of farmer organizations members to enable them to invest through the eVoucher

Outside ACDP, the ATAAS project has some relevant experience with Labour Intensive Public Works (LIPW). In groups where members contributed part of their earnings towards group savings, the maintenance and sustainability of the structures were much better. Group members



will be encouraged to adopt this approach during sensitization and mobilisation for construction of SLM structures and repair and maintenance of irrigation infrastructure using LIPW.

### 3.3. Brief summary of general challenges, opportunities and risks

Although Uganda is among the 20 poorest countries in the world<sup>2</sup> and ranks 159 out of 189<sup>3</sup> on the Human Development Index (December 2019), its performance particularly on poverty reduction has been impressive. UNDP estimates that the population living under 1 USD a day was reduced in the MDG period 1990 to 2015 by two thirds. According to the World Bank, the proportion of the population living in extreme poverty (below USD 1.25 per day) was reduced by almost half from 1993 to 2013 (from 68.1% to 34.6 %) <sup>4</sup>. However, recent national statistics show a 7% increase in poverty from between 2013 to 2017.

The positive developments derived from increased agricultural incomes for the poorest smallholders, is largely attributed to favourable weather conditions and high commodity prices during most of the period, rather than improvements in productivity-enhancing factors. This overreliance on external factors renders the poverty reduction precarious and the average Ugandan increasingly vulnerable to shocks (i.e. climate change and/or low prices): For every three Ugandans lifted out of poverty, two fall back in poverty within a short period<sup>5</sup>. Around 40% of Ugandans remain “insecure non-poor”, defined by the World Bank as those living on less than twice the extreme poverty income of USD 1.25 per day.

Income inequality is growing in Uganda with women, youth and children constituting the highest percentage of those living in extreme poverty and with poverty and vulnerability being especially pronounced in Northern Uganda, home to 43.7 % of people living in extreme poverty<sup>6</sup>.

National Development Plans: Uganda’s *Vision 2040*<sup>7</sup> defines the long-term vision for Uganda as “A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country”, moving towards becoming a competitive upper middle-income country. The vision is implemented through five-year National Development Plans (NDPs). Presently, Uganda has defined its third NDP (NDP III) for financial years 2020/21-2024/25 with the overarching – and overly ambitious – goal to increase average household incomes and achieve a per capita income of USD 1,301 by 2025. The key priority areas laid out in NDP III are primarily related to enhancing value addition in key growth opportunities, including agro-and mineral-based industrialization<sup>8</sup>, private sector growth, and infrastructure development. Less priority is given to traditional social service delivery (i.e. education, health, water and sanitation) as well as general principles of good governance.

### 3.4. Development in key economic indicators

Overall, Uganda’s macro-economic framework is generally sound and future prospects are fair. Short-term potential sources for instability are the risks of inflation, while more long-term instability factors are regional insecurity and a growing debt with lower oil income than planned.

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<sup>2</sup> e.g. <https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world?page=12> (accessed 12.02.2017) The Global Finance Magazine ranked Uganda as number 19 in 2015.

<sup>3</sup> [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/UGA.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/UGA.pdf) (accessed 30.08.2020)

<sup>4</sup> World Bank *Uganda Systematic Country Diagnostic*, December 2015, and WBG: *Uganda’s Poverty Assessment Report 2016*. September 2016 <http://pubdocs.worldbank.org/en/381951474255092375/pdf/Uganda-Poverty-Assessment-Report-2016.pdf> (accessed 12.02.2017) (WBG: *Country Diagnostic 2015*) & Government of Uganda: “Millennium Development Goals Report for Uganda 2015”. 2016

<sup>5</sup> See <http://www.worldbank.org/en/country/uganda/brief/uganda-poverty-assessment-2016-fact-sheet> (accessed 20.02.2017)

<sup>6</sup> World Bank Group. “*Uganda Systematic Country Diagnostic. Boosting Inclusive Growth and Accelerating Poverty Reduction*” December 4, 2015 p. 2 (WBG: *Country Diagnostic 2015*)

<sup>7</sup> <http://npa.ug/wp-content/themes/npatheme/documents/vision2040.pdf> (accessed 20.02.2017)

<sup>8</sup> The big infrastructure projects; dams, roads, etc. are mainly financed by Chinese banks and it is speculated that they are planned to be paid back with income from oil.

The agricultural sector, which employs the bulk of the labour force, is also unlikely to achieve high rates of growth in the short and medium term.

The global COVID-19 pandemic is expected to severely hit the Ugandan economy through several channels, with detrimental effects on economic activity and social indicators. Real GDP growth is projected to contract in 2020, owing to depressed global demand from the pandemic. The external and fiscal accounts are expected to deteriorate, creating substantial urgent external and fiscal financing needs. A temporary widening of the fiscal deficit is warranted in the short term to allow for the implementation of the response plan. Recent MoFPED and IMF data confirm that fiscal deficit has indeed risen from 4.9% in FY 2018/19 to 7.2% in FY 2019/20.

Despite a temporary worsening of debt indicators (from 35.4% of GDP in FY 2018/19 to 40.2% in FY 2019/20 against a debt threshold 50% of GDP) and heightened vulnerabilities, public debt is expected to remain sustainable.

Due to the ongoing political activities leading up to the 2021 elections, there has been an upsurge in violence. This is expected to escalate as competition between rival political parties intensifies. The political season is also characterised by slowdown in provision of services and participation of the population in project activities. There is potential risk of a slow start up of the project as it coincides with the period of most intense political activity.

### **3.5. Brief summary of the strategic framework and overall strategic objectives**

The overall strategic objective of the CCAAU is to strengthen the resilience of smallholder farmers in Uganda through climate change adaptation. This will be achieved through promoting climate-smart agriculture (CSA) practices, increase number of water resources available to farmers, boosting farmer participation in sustainable investments in the post COVID19 era, and improving farmers' access to output markets.

### **3.6. Key stakeholders**

The Danish support will be channelled through WB, but the delivery modality of the CCAAU project will be through existing structures of the ACDP including partners at both the national and local level. There are four partners vital for implementation of the proposed project. These are; i) the World Bank, which has the overall responsibility for the funds, project oversight, is the funder of ACDP and has the capacity to execute its roles; ii) MAAIF, which is responsible for implementation of the project and is mandated to coordinate the agriculture sector. The other two are iii) District Local Governments, which are responsible for implementation of the project at local level and are the main link with the project beneficiaries and; iv) Farmers Organizations (Groups, ACCEs) are useful for organising farmers to participate in the project.

### **3.7. Adherence to the aid effectiveness agenda**

Denmark is keen to promote aid effectiveness by supporting the national development objectives and strategies of partner countries, building the capacity of local institutions, and advocating for a just and fair society through enabling public policies. The 2018 bilateral Denmark-Uganda partnership country programme recognized that the vast majority of the population are subsistence farmers, thus emphasised the focus on income generation, increased productivity, value addition, and creation of employment in the agricultural sector, in particular for women and young people and by focusing on small and medium-sized enterprise (SME) development. These were fully aligned to NDP II and the Agriculture Sector Strategic Plan (ASSP) II. One of the key engagements is delivery of the bilateral programme – aBi – receives contributions from other Development Partners (DPs) including United States Agency for International Development (USAID), Swedish International Development Cooperation Agency (SIDA), and the European Union (EU).

This collaboration significantly cuts down transaction costs ensuring aid delivery is efficiently thus, underscoring Denmark's adherence to aid effectiveness. The channelling of resources for the proposed project through the WB is further testimony of Denmark championing collaborative and harmonized aid delivery. Another key engagement of Denmark is NURI. MAAIF is a member of NURI's programme implementation committee; Danida's other agriculture resilience initiative that meets once a year in a learning & reflection workshop. Through this monitoring mechanism, coherence will be sought through ensuring cross learning between ACDP overall, CCAAU specifically, and NURI. Experiences in CSA, WRM and rural infrastructure installations will be shared through visits and sharing of documentation.

The proposed project is also aligned to Uganda's national priorities expounded in NDP III and ASSP III. The project also directly contributes to Sustainable Development Goals (SDGs), in particular SDG 1 (End poverty); SDG 2 (No hunger), SDG 8 (Inclusive and sustainable economic growth, employment and decent work) and SDG 13 (Climate action).

### **3.8. Considerations about Danish strengths, interest and opportunities for engaging Danish public, private and civil society actors**

Denmark is known as a long-term, generous, trusted and respected partner of Uganda and a champion of sustainable development, democracy and human rights. These strengths present opportunity for easy entry and influence across the public, private and civil society sectors of Uganda.

With Uganda being a poor but stable country situated in an increasingly unstable region, and being the largest refugee hosting country in Africa, Denmark has a clear interest in a strong Danish-Ugandan partnership. This partnership will be based on and take its lead from the SDG's, *World 2030*, and the Ugandan NDP of which the third cycle for the period 2020 – 2024 has just began.

Contributing to stability in Uganda is of key interest to Denmark. The conflicts in some of Uganda's neighbouring countries, in particular in South Sudan, is likely to put domestic stability and economic development under pressure, since Uganda to a large extent relies on exports to its neighbouring countries. In addition, a continued massive influx of refugees post-COVID could lead to a "breaking point", prompting Uganda to abandon its current refugee policy with potentially profound consequences for regional stability and thus, refugee movements. By supporting and enhancing the impacts of ACDP, it is anticipated that the project will foster domestic stability and thus bolster Uganda's capacity to maintain its stabilizing role in the region.

It is also Denmark's interest to strengthen cooperation with multilateral institutions for enhanced synergy, ensure more coherent and effective division of labour, unified voice during policy dialogue and greater development results. Most of the traditional development partners (several EU Member States, Norway, US, Japan as well as multilaterals such as the World Bank and numerous other UN organisations: Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), African Development Bank (AfDB) as well as the EU have a strong presence in Uganda.

Coordination is relatively good and takes place at an overall level in the Local Development Partners' Group (LDPG) and at sector level with rotating chair. Besides an active participation in the LDPG, Denmark is coordinating with other DPs in a number of sectors/areas including Northern Uganda and agriculture both of which have a strong focus on climate.

### 3.9. Relevance of support

Agriculture is a critical sector in the Ugandan economy employing 73 percent of the population<sup>9</sup> (71% female and 59 percent male). About 76% of the Ugandan population is rural where the majority are smallholder farmers with nearly 68% of them relying on subsistence agriculture. Although agriculture is the single largest employer, transformation is very slow. This has resulted in relatively low productivity of the sector in comparison to neighbouring countries and lags behind other sectors, contributing only about 21.9 percent to the national GDP in 2018/19<sup>10</sup>. The low productivity is due to low input use, poor agricultural infrastructure e.g. irrigation, weak market linkages, and very low on-farm mechanization when compared to other Sub-Saharan African countries. The country has the lowest utilization of inorganic fertilizers in Africa, at only 1.0 kg per hectare<sup>11</sup>. In Uganda only 2 percent of farmers use irrigation, 21 percent agro-chemicals and 23 percent use improved seeds<sup>12</sup>.

Agriculture performance in Uganda fluctuates with changes in climate because of low adoption of climate change adaptation technologies. This affects economic growth and development and jeopardizes Uganda's aspiration to move to middle-income status by 2040. The agricultural sector is experiencing climate change effects manifested through, frequent and severe dry spells, floods, high temperature and increased incidence of pests and diseases. Drought in 2016 reduced agricultural output, which slowed economic growth to 3.9% and pushed up poverty levels to 21.4% in 2016/17 compared to 19.7% in 2015/16.

The agriculture sector is a major contributor to greenhouse gas (GHG) emission in Uganda. The emissions come from agricultural soils, livestock (enteric fermentation and animal waste management), burning of agricultural residues, burning of savannah grass, and rice cultivation. According to OECD, green growth indicators aim at monitoring four main objectives, thus:

- Establishing low carbon, resource efficient economy
- Maintaining the natural asset base;
- Improving the peoples' quality of life, and
- Implementing appropriate policy to realise the economic opportunities of green growth

The continued lack of real transformation of the agricultural sector renders achievements in the sector associated with good climate unsustainable and keeps the population very vulnerable to external shocks, such as climate change. The overreliance on rain-fed agriculture means Uganda is highly vulnerable to climate change.

The Danish Climate Envelope operates within the strategic framework of Danish development assistance and interests in Uganda which are; 1) Contribute to poverty reduction through inclusive and sustainable economic development; 2) Promote democracy, good governance and human rights; and 3) Support Uganda's stabilising role in the region. The above analysis shows that funding the CCAAU through the Climate Envelope is valid as it is well aligned with the Danish interests. In addition, it complements "UPSIDE" – part of the ongoing Country Programme with a focus on Green-Growth Agenda that is seeking to improve productivity and value addition in agri-businesses and among smallholder farmers to enhance resilience and equitable economic development. To strengthen coherence between ACDP and the Country Programme, cross learning will be strengthened between CCAAU and NURI. Experiences in Climate-Smart

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<sup>9</sup> UBOS 2019. *Statistical Abstract 2018*. UBOS. Kampala

<sup>10</sup> UBOS 2019. *Uganda in Figures*. UBOS. Kampala

<sup>11</sup> The African average is 8 kg/ha (2002) (Source: M. Morris et al. 2007. "Fertilizer Use in African Agriculture: Lessons learned and good practice guidelines." World Bank, Washington, DC). The African average is itself very low – average per hectare usage in other developing countries and regions of the world exceeds that of Africa by more than a factor of 10.

<sup>12</sup> UBOS 2020. *Uganda Annual Agricultural Survey 2018*. Kampala, Uganda; UBOS

Agriculture (CSA), Water Resource Management (WRM) and rural infrastructure installations will be shared through visits and sharing of documentation. MAAIF is a member of NURI's programme implementation committee that meets once a year in a learning and reflection workshop.

The CCAAU project will complement a number of ongoing and planned efforts supported by other DPs to raise agricultural productivity and improve the effectiveness of agricultural markets. Among these are the programmes supported by USAID, Islamic Development Bank (IsDB), Japan International Cooperation Agency (JICA), Korean International Cooperation Agency (KOICA), Agence Française de Développement (Afd), and the Netherlands. Most of these programs focus on strengthening the private sector.

### **3.10. Justification of programme design**

RDE is seeking to further green-growth in the agricultural sector in Uganda using the funds from the Climate Envelope. Prior to the outbreak of the global COVID19 pandemic, RDE planned for interventions that would focus on water resource management and access to clean water for farmers in Uganda. However, the COVID19 pandemic has severely affected farm households' incomes and purchasing power and eroded savings. This has limited their ability to participate in the eVoucher scheme, as they are unable to meet their contribution. This underscores the importance of including growth and income objectives in conjunction with pursuing the water agenda.

Cognizant of the fact that the impact of climate change varies depending on the agro-ecologies, climate change responses need to be mainstreamed into agro-ecological, local government level programs and development plans - with an active involvement of local stakeholders, A number of potential interventions were assessed<sup>13</sup>:

Based on comprehensive analysis, RDE decided to work with the ACDP. The ACDP accounts for approximately 40% of the total budget of MAAIF and is therefore significant within not only the agricultural sector but in Uganda in general. The World Bank (IDA) commitment to the project is USD 150 million over a six-year period (2017-2022)<sup>14</sup>.

Joint programming with larger partners such as the WB provides an opportunity to further underpin Danish political priorities. Drawing on additional funds from the Danish Climate Change Envelope (CCE), will make it possible to strengthen the focus on increased resilience and "greening" of the overall objectives of the ACDP. By adding this multilateral engagement to existing bilateral development cooperation (NURI and aBi), it will scale up the achievement of the Danish Green Growth ambition.

The Danish support will be channelled through the WB and its systems. In short, the ACDP works for increased productivity, production, and marketable volumes of strategic and climate resilient crops. Through the promotion of adoption of water control, soil and water conservation measures, sustainable wetland management, and basic improvements of local infrastructure, the project contributes to moving Uganda towards more climate-smart agriculture. CSA is an approach for transformation of agricultural production systems to secure sustainable productivity under climate change.

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13 i) The WB Forestry and Tourism Project in the West Nile sub region and Albertine Graben. (ii) FAO project on Resilience and livelihood opportunities for Women in Karamoja and West Nile Regions of Uganda. (iii) A WB pilot project on Promoting CSA and Value Chains in response to effects of COVID19. (iv) Remote sensing technology for water content in soil and (v) expanding the ACDP implemented by MAAIF with support from the WB.

14 <https://projects.worldbank.org/en/projects-operations/project-detail/P145037>

An important vehicle for matching farmers to grants; is the electronic voucher scheme (eVoucher). During the first years of implementation, crops for the eVoucher scheme have been selected based on their strategic importance and sustainable land management (SLM) technologies have been developed in order to “green” the ACDP. “Greening” refers to the incorporation of climate change adaptation and mitigation aspects into the ACDP with a strong focus on adaptation. ACDP further attempt to reduce emission but technologies and techniques will focus on adaptation. Labour Intensive Public Works (LIPW), from which participants are paid a wage, will be used to implement sustainable land management (SLM) practices / technologies. As such, this partnership will allow for addressing the double challenge of climate change as well as the COVID19 impact on agricultural livelihoods in Uganda.

The support from Denmark will make the ACDP greener by supporting the recently added SLM and climate-smart agriculture. The support from Denmark will further support the addition of a green output i.e. better irrigation water management and maintenance of irrigation facilities for smallholder farmers, which was not in the original project design. Moreover, the outcome of Danish support will be tracked and measured using green indicators. **Box 1** provides the premise for identification of the green indicators.

#### **Box 1: Greening the ACDP**

The aim of the CCAAU Project is to adapt Ugandan agriculture to climate change by “greening” the Agriculture Cluster Development Project (ACDP). The “greening” elements in Danida’s support will largely be constituted by a focus on increased resilience to climate change and social shocks for smallholder farmers through focus on climate smart agriculture (CSA), sustainable land management (SLM) and integrated water resources management (WRM). The CCAAU project principle is to promote the efficient, sustainable and safe use of land and water resources for agricultural production, while ensuring that these natural assets continue to provide the resources and services on which farmers’ welfare depend. The CCAAU will therefore support sustainable and appropriate farming practices and technologies that increase production, productivity and marketing of smallholder farmers, while minimizing the negative effects on the environment. Greening therefore also means catalysing farming investments and technologies that give rise to economic opportunities. The following green growth objectives / principles (as adapted from the OECD and Danida’s guiding principles for the Climate Change Envelope) will guide the greening of the ACDP:

Promoting resource efficient, low carbon agriculture – thro appropriate farming practices, including integrated crop management, climate smart agriculture and post-harvest management

Maintaining and sustaining the natural asset base – thro sustainable land management and integrated water resources management

Improving the quality of life of the value chain actors in the ACDP, especially the smallholder farmers, including women and youths (social inclusion) – through benefits that accrue from resource efficient agriculture, sustainable land and water management, climate relevant/resilient agriculture infrastructure, and increased production, productivity and marketing for smallholder farmers

Realizing economic opportunities of green growth – through market access and increased farm income for smallholder farmers, and employment/jobs for value chain actors

The above objectives / principles form the basis for the CCAAU project monitoring indicators in the results framework - consistent with the core indicators in Danida’s guiding principles for the Climate Change Envelope

The CCAAU project will be implemented in Clusters 2, 3 and 4 of the ACDP. These clusters were selected based on location in land degradation hotspots, existence of smallholder irrigation systems and severity of climate change impacts and disasters.

Until 2013, Denmark supported the implementation of the Agriculture Sector Programme Support through MAAIF. The partnership faced major difficulties in implementation, administration of funds, and disagreements at political level - including overall political disagreement with GoU on the LGBTI bill at the time. Denmark has since stopped the direct partnership with MAAIF. There are still a number of challenges when it comes to working directly with the Government. At the same time, there is an increasing realisation amongst development partners that sustainability and development effectiveness of engagements requires a strengthened involvement of GoU fulfilling its mandated functions. Indirectly, the proposed project will involve a return to work with MAAIF. This is informed by a number of considerations. First, the reforms carried out over the years as part of operationalizing the Public Finance Management (PFM) Act 2015 and its regulations have strengthened the Ministry's internal controls. Second, the WB is the strongest partner to GoU with most leverage. By working with WB on GoU co-funded projects, Denmark stands the best chance of ensuring accountability, especially with a strong partner like WB. Moreover, there are additional levers to strengthen project management and accountability should it be required including recruitment of qualified and competent staff. Finally, if Denmark wants to achieve systemic change, it is crucial that it works with GoU and MAAIF.

In the pursuit of Danish Green Growth targets in Uganda, Denmark will, with the present support, work towards a stronger engagement with national Ugandan partners, including MAAIF. By working through the WB and their country systems, funds are channelled through the WB MDTF in Uganda; the WB will ensure accountability, results and impact. In terms of development effectiveness, this support would furthermore pave a way to further "green" the ACDP, just as it would increase Denmark's ability to influence the national strategies on agricultural and environmental development.

#### **4. Theory of change and key assumptions**

The theory of change and key assumptions answer four key questions: i) what strategic change will this project contribute to?; ii) How will interventions lead to results?; iii) what is the role of key project partners?; and iv) what conditions are necessary for change to happen?

*i) What strategic change will this project contribute to?* The project will contribute to greening the objectives of ACDP. It will strengthen the focus on increased resilience that are consistent with the Danish green growth ambition as reflected in the UPSIDE thematic programme of the Bilateral Partnership agreement. The objective of UPSIDE is "*sustainable and inclusive economic growth*" with two outcomes that directly contribute to it. These are i) increased income and employment through environmentally and socially responsible investments in improved productivity, quality and value addition in agri-businesses and among smallholder farmers in supported agricultural value chains, and ii) enhanced resilience and equitable development in supported areas of northern Uganda, including for refugees and refugee-hosting districts. It will also contribute to SDG 17 and Uganda's NDP III goal of "increased household incomes and improved quality of life of Ugandans" and directly to two of NDP programmes. These programmes are (i) agro-industrialisation which aims to increase commercialisation and competitiveness of agricultural production and agro-processing, and Programme (v) – natural resource, environment, climate change, land and water management geared to targets to stop, reduce and reverse environmental degradation and climate change ..". Finally, it will address the impact of COVID – 19 pandemic in the medium term by restoring livelihoods of the most vulnerable segments of the population in the selected clusters in the project area.

*ii) How will interventions lead to results?* Through the support of CCAAU, smallholder farmers in targeted areas of Eastern Uganda will improve their knowledge, skills and technologies in climate change adaptation and apply climate relevant farming practices. They will also increasingly use appropriate farming practises for the selected crops. Through the eVoucher system they will have access to and hence increase the use of improved inputs. Increased use of improved input that is tailored to address the farmers' production constraints will in turn increase productivity, production and surplus for sale. This would increase their income and hence ability to afford CSA practices and technologies and will in turn lead to gains in productivity, marketable surplus, market participation, produce sales and household food security and incomes.

Similarly, through Sustainable Land Management (SLM) practices and Integrated Water Resource Management (IWRM) farmers will increase the fertility and productivity of the land.

The use of resource efficient agriculture, sustainable land and water management, climate relevant/resilient agriculture infrastructure, and increased production, productivity and marketing for smallholder farmers will lead to improving the quality of life of the value chain actors in the CCAAU, especially the smallholder farmers, including women and youths while at the same time reducing GHG emissions. This will in turn lead to the realization of economic opportunities of green growth through market access and increased farm income for smallholder farmers, and employment/jobs for value chain actors leading to increased resilience to climate change.

*iii) What is the role of the key project partners?* The WB and MAAIF are key project partners of CCAAU. Based on the provisions of MDTF 73022, the World Bank shall administer Denmark's contribution in accordance with the Bank's applicable policies and procedures, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its environmental and social screening procedures. MAAIF on her part will implement the project to generate the outputs in accordance with the procedures approved by the Bank and documented in various documents including the Project Implementation Plan (PIM).

Both NURI and CCAAU work towards promoting CSA practices to boost productivity production and increase marketable volumes. At the level of implementation, and with a view to promote mutual learning between these engagements both funded by Danida in Uganda, active mechanisms will be established to capture and exchange the knowledge developed in NURI and CCAAU, as well as sharing this knowledge with MAAIF. Approaches include i.a. semi-annual learning and reflection workshops, as well as through the participation of key NURI staff in part of the RDE monitoring activities.

*iv) What are the conditions that must prevail for the outputs, outcome, development objective and overall project objective to be achieved?*

Condition to realise project outputs, outcomes and development objectives:

- Project actors at different levels are willing, committed and have sufficient time and resources to implement the project
- Farmers have the incentive and willingness to participate and invest in the project
- Farmers are willing to adopt project promoted climate change adaptation skills, practices and technologies that improve the production, productivity and resilience of their farming systems
- The available markets for the selected commodities offer sufficient incentive for increased production and marketing
- Weather is stable and no adverse climatic events, such as floods or droughts occur



- Macro-economic situations remains stable

It should be noted that the three clusters CCAAU will operate in were selected because they had particularly high potential for increased productivity in the five chosen commodities and high concentration of value chain actors. A commodity cluster on average covers three districts, with proven production potential for at least two of the selected commodities.

## 5. Project Objective and summary of results frame

### 5.1 Objective - The detailed Results Framework can be found in Annex 3.

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

The **development objective** of this (CCAAU) support is to “green” the ACDP through promotion of climate-resilience technologies and thereby assist Uganda to adapt agriculture to climate change.

### 5.2 Outputs and outcomes

This will be achieved by promoting CSA practices, increase number of water resources available to farmers, boosting farmer participation in sustainable investments in the post COVID19 era, and improving farmers’ access to output markets. The project beneficiaries will be households from clusters<sup>15</sup> 2, 3 and 4 of ACDP and districts constituting them. The outcome of the CCAAU will be “**increased adoption of climate resilient agricultural practices**”, and will be tracked using the following indicators:

- Area under CSA practices measured in hectares (ha)
- Number of water resources (wetlands and Charcos/Check dams) managed and rehabilitated
- Reduced net Greenhouse Gas (GHG) emissions measured in KGs and amount of carbon sequestered
- Number of people benefiting from improved climate adaptation and resilience because of the activity.

The outcome will be realised through three outputs:

- Sustainable land management (SLM) structures and practices promoted;
- Smallholder irrigation infrastructure assets repaired and maintained focusing of efficiency measures, and rural farm access roads rehabilitated; and
- On farm production intensified through use of improved inputs complemented with good agricultural practices

The selection of beneficiaries in ACDP have among others been made based on the following criteria:

- Must be a Ugandan citizen. A National Identification Number (NIN) is therefore required;
- Be willing to commit an acre to project activity and to adopt Good Agricultural Practices (GAP) and Good Handling Practices (GHP)
- Willing to cultivate one of the project priority commodities
- Willing to contribute towards the cost of the input, and

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<sup>15</sup> A Cluster is an area covering on average three districts, with proven production potential for at least two of the selected commodities

- Belong to a farmers group.

*The criterion of belonging to a farmer group is however not mandatory.*

Selection of beneficiaries for the activities supported by CCAAU will be further discussed and decided upon with PCU.

Given the geographical scope of the activities, refugees are not among beneficiaries.

Detailed description of the outputs follows:

### **Output 1: Sustainable Land Management (SLM) structures and practices promoted**

Land degradation, including environmental degradation, through poor farming practices continues to impact negatively on agricultural productivity and negating any efforts to improve productivity through increased use of purchased agro-inputs. The SLM practices can prevent, reduce or restore degraded lands by reducing soil erosion, improving water storage and increasing soil quality, and thereby increase productivity. These attributes also contribute to climate change adaptation. They also mitigate climate change by reducing agricultural emissions of GHG and sequestering carbon in vegetation, litter and soils.

Studies have identified land degradation hotspots in Uganda. These include the eastern highlands and eastern Uganda where ACDP Clusters 2, 3 and 4 are located. This underpins the need for interventions in SLM in these clusters.

MAAIF developed the Uganda Strategic Investment Framework for SLM (U-SIF SLM) to address land degradation and mitigate climate change. This was operationalized through the ended WB funded Agricultural Technology and Agribusiness Advisory Services Project (ATAAS). The ATAAS project demonstrated positive impact of SLM technologies on yields, reduction of soil erosion and rehabilitation of degraded lands through restoration efforts. It also demonstrated that SLM technologies are expensive and long term, and their sustained adoption requires putting in place appropriate incentive systems. Furthermore, it showed that it is important to focus on environmentally friendly models and technologies that have been proven to work and are appropriate for smallholder farmers with limited resources. The approach in the activities supported through CCAAU will be based on the learnings from ATAAS and therefore focus on environmentally friendly models and technologies.

The efforts by the ACDP to intensify on-farm productivity through increased use of agro-inputs such as approved fertilizers, improved seeds and approved pesticides can be complemented with integration of appropriate and site-specific SLM investment packages. This component will support investments for adoption of SLM practices such as listed but not limited to those in **Box 2**, as this is critical to sustainable agricultural productivity.

## Box 2: SLM Technologies Menu

In line with the objective of “greening” the ACDP, SLM technologies will be promoted in the targeted clusters. The promotion will be site specific and based on need and efficacy. Only those technologies that are assessed to be essential, appropriate and impactful for a given “hotspot” will be promoted. More than one complementary technologies may be applied to address identified SLM issues. Below are some examples of the SLM structures / technologies that the CCAAU will consider:

• Terracing	• Contour ridges (soil / grass bunds/)	• Timely and appropriate use of inputs
• Water retention ditches	• Hedgerows	• Integrated soil nutrient and water management
• Infiltration pits	• Intercropping	• Agroforestry
• Diversion channels	• Alternate cropping	• Woodlots
• Check dams	• Mulching	• Etc
• Rainwater water harvesting	• Minimum tillage	•

Focus will be on those SLM structures that are within the resource limitations of smallholder farmers, in which case the individual farmers will implement them with guidance from the extension officers. However, some of the SLM technologies are labour intensive. If such SLM structures are assessed as critical with significant multiplier effect and sustainable, they will be constructed through incentives such as cash transfers through Labour Intensive Public Works (LIPW), thereby creating short-term employment. The farmers can then use the wages to meet basic needs, inject into their village savings group and enrol into the eVoucher programme to access inputs to improve their farm productivity and production. The project will also support seedling nurseries for agro-forestry. Other appropriate technologies may be introduced based on benchmarking from similar interventions, such as NURI.

The ACDP has recently recruited three SLM specialists to support and coordinate increased demonstrations and the scaling up of SLM technologies, practices and approaches in all the implementation districts spread in the highland, midland and lowland areas. The SLM specialists are building the capacity of DLGs in SLM who in turn will train ACDP beneficiary farmers groups benefiting from the eVoucher scheme. The ACDP is currently focused on capacity building and establishing SLM structures in coffee and rice growing clusters.

The following activities will be undertaken to realize this output:

Activity	Responsible
i. Identify, assess and prioritise locations for SLM interventions.	Community, District extension workers and agricultural engineers, natural resource officer, agriculture officer, community officers, ACDP SLM coordinators with input from CMSP
ii. Identify individual farmers willing to host woodlots/ or nurseries for the community	Community, local leaders, ACDP community facilitators, district
iii. Identify the appropriate SLM technology/practice for the sites	District extension workers and agricultural engineers, ACDP Focal Person, DPMO and SLM coordinators

Activity	Responsible
iv. Mobilize and organize farmers into groups (if non-existent) to plan, implement and maintain the SLM structures and practices. Formalize groups with local authorities at relevant levels (Sub-county or district)	ACDP community facilitators, community leaders, district and sub-county officials, Community Development Officers, farmer group representatives
v. Build capacity of the groups on governance, accountability, group dynamics, management of SLM structures, equitable sharing of resources	District, ACDP community facilitators, contractors on farmer group strengthening
vi. Secure community user rights from individuals providing land	Community leaders, community, local officials, district
vii. Prepare designs and cost bills of quantity for construction of SLM structures viii. Cost establishment of nurseries	District agricultural engineer, SLM specialists, extension workers, district forest/officer, district natural resource officer
ix. Identify site-specific environmental and social risks, impact and the safeguards.	District environment officer, community and local leaders, district natural resource officer
x. Identify farm households to participate in LIPW taking into account gender and age	Community, community leaders, ACDP community facilitators, district extension staff, , districts focal persons
xi. Execute establishment of SLM structures	Farmer groups, ACDP community facilitators, District extension officers and District agricultural engineers
xiii. Train farmers groups on maintenance of the structures	District extension officers and District engineers
xiii. Handover to farmer groups for maintenance	District extension officers and District engineers

The prioritization of areas to establish SLM structures will be informed by the following criteria:

- i. Most degraded land areas in the community
- ii. Degraded areas affecting many community members
- iii. Community need
- iv. Scope of work is within ACDP scope

**Output 2: Smallholder farmer owned irrigation infrastructure assets repaired focusing on efficiency measures, and rural farm access roads maintained.**

**a) Repair and maintenance of irrigation infrastructure**

Over the last few years, climate change has adversely affected agricultural production, productivity and post-harvest operations due to droughts, flooding, increased pests and diseases and increased temperatures. Though endowed with abundant water resources to address moisture stress through irrigation, Uganda's use of irrigation technologies stands at a meagre 2% of the cultivated areas as of 2018. This implies that about 98% of all agricultural production is rain dependent. Conventional rain-fed agriculture is vulnerable to climate change, resulting in poor crop and livestock production, and reduced household incomes. The irrigation schemes established in prior years that should have provided a solution to farmers in the areas where they are located have suffered from deterioration from tear and wear over a long period, poor maintenance and vandalism culminating in leakages in embankments and canals, erosion, siltation and flooding. This has been particularly prevalent in paddy rice growing areas leading to decline in production of rice in those communities. Feasibility studies conducted under ACDP have confirmed increased productivity, production and profitability of irrigated rice. For the major schemes, rehabilitation is underway through GoU with DPs support. Under ACDP sub-component 3.2, studies have been launched for five promising

irrigation schemes. However, the greatest needs are with the small-scale irrigation infrastructures informally managed by farmers.

CCAAU will intervene in the repair and maintenance focusing on efficiency measures of these small farmer-owned irrigation infrastructures through LIPW arrangements. Besides the physical infrastructure, the water user structures that are so critical for sustainability of irrigation systems will be established. This is consistent with the provision of the GOU irrigation policy (2018), which aims to strengthen the institutional capacity of all players both at national and local levels to ensure good governance of irrigation investments, efficient delivery and use of water and maintenance of all irrigation systems.

Similar to the other outputs under CCAAU, the activities under this output will be implemented in clusters 2, 3 and 4 in the Eastern Uganda where smallholder farmers have developed rudimentary infrastructure and require modest investments to ensure efficient use, control and management of water for increased production and productivity.

The activities that will be undertaken to realize this output include:

Activity	Responsible
i. Identify, profile and prioritise existing small scale farmers owned irrigation assets that need investment to repair and maintain focusing on efficiency measures	MAAIF and District Agric. Engineers with input from CMSP
ii. Sensitize, mobilise and organize the farmers into user level associations (Irrigation Water User Associations) including formalization of the groups through registration to oversee the planning, execution and sustainability of irrigation assets	MAAIF will initially build capacity of district officials who will subsequently build the capacity of the local officials
iii. Build the capacity of the WUA through training in Agricultural water management, group dynamics and infrastructure operation and maintenance.	MAAIF, District Agric. Engineers and Community Development Officers or contracted service providers
iv. Identify site-specific environmental and social risks and impacts	ACDP Environmental and Social safeguard specialist, District Environment and Community Development Officers
v. Prepare designs and cost bills of quantities for the repair and maintenance works on the irrigation infrastructure focusing on efficiency measures	MAAIF and District Agric. Engineers or contracted individual consultants
vi. Execution of the repair and maintenance works through LIPW and contracted service providers (where WUA) lack the capacity.	WUA guided by MAAIF, District Agric. Engineers or contracted service providers
vii. Coordination and Monitoring of the Execution of the repair and maintenance works through LIPW	MAAIF
viii. Handover the irrigation infrastructure assets to the WUA for operation and maintenance.	MAAIF and District Agric. Engineers.

When selecting sites to benefit from investments, the CSMP will be guided by following criteria:

- i) Availability of water resources
- ii) The water resource should be serving more people
- iii) There should be no conflict on the land where the water resource is located and farmland surrounding it.
- iv) Organized group of farmers around the water source (optional) but added benefit.
- v) Farmers growing priority ACDP selected commodities and/or other high value enterprises mainly horticulture.

## b) Rural farm access roads

Rural access roads are essential in agricultural production areas. It facilitates easy delivery of inputs and extension services and the evacuation of produce to markets, aggregation centres and processing facilities thus lowering the transaction costs and leading to increased profitability for the farmers and other value chain actors.

Although the construction, repair and maintenance of rural access roads is a major priority of the government and substantial resources are allocated, the needs far outstrip the available resources. Under ACDP, the focus of the rural farm access roads sub-component is the removal of access bottlenecks or chokes. CCAAU project will build on this by providing access to areas where the activities on the other two outputs are being implemented to ensure coordinated and integrated interventions that will lead to synergies and better results. To ensure compliance and durability of the roads infrastructure, the project will at design stage take into consideration climate change responsive designs to enhance the hydraulic capacity of the roads to counter frequent floods and washouts.

The activities to be undertaken towards rehabilitating rural farm access roads will include:

Activity	Responsible
i. Identify and profile areas of high production for the five priority commodities.	MAAIF and District roads engineers
ii. Select and prioritize roads to be rehabilitated	CSMP
iii. Sensitize and mobilise the communities along the selected roads to prepare them for the intervention	District and local officials
iv. Identify site-specific environmental and social risks and impacts	District Engineers and Community Development Officers
v. Prepare design and bills of quantities for the selected road works	MAAIF and District Engineers or contracted individual consultants
vi. Execute the simple and complex works through LIPW and light equipment	Contracted service provider and WUA
vii. Supervise the works	MAAIF teams & District Agric. Engineers.

In prioritizing the roads for rehabilitation, CSMP will be informed by the following criteria:

- i. Areas of high production for the priority commodities
- ii. Roads that link the production areas to other post-harvest facilities such as bulking centres and processing plants.
- iii. Areas where activities to achieve other outputs of CCAAU are being implemented to ensure complementarity and greater results.

### **Output 3: On farm, production intensified through use of improved inputs complemented with good agricultural practices.**

Smallholders in Uganda get only 30% of research station yields<sup>16</sup>. The low farm productivity is largely attributed to low input use under predominantly rain-fed conditions. Only 23 percent of agricultural households plant improved seeds, and 21% use agro-chemicals<sup>17</sup>. For tillage and farm

16 USAID and MAAIF, 2081 – State of the Ugandan Agriculture

17 UBOS, 2020 - 2018 Annual Agricultural Survey (AAS)

power, the hand hoe is the main production tool. Roughly 10% of farmers use animal traction, and only 1.2% use tractors.<sup>18</sup> These have been compounded by environmental, land degradation, climate change impacts, and worsened by the COVID – 19 pandemic.

To address these challenges, under ASSP II, GOU prioritized provision of inputs as a key intervention area to which the ACDP component was aligned by providing subsidy to farmers through farmer groups to purchase and utilize agro-inputs through the electronic voucher scheme. The scheme enables farmers to access essential inputs package comprising improved seeds and fertilizer value at about USD 180 over seasons or cycles. The package is funded through a matching grants/subsidy where the project's contribution starts at 67% during the first season or cycle and reduces to 50% in season 2 and concluding with 33% third season before the farmer is weaned off. The farmers contribution is the reverse starting with 33% and ending with 67% in the third cycle. The entire stepwise e-Voucher process is as follows:

- Step 1: Registration and enrolment (farmers and agro dealers) on the system
- Step 2: Training of farmers and input dealers
- Step 3: Farmer place an order on the e-Voucher scheme
- Step 4: Demand aggregation and stocking
- Step 5: Farmer completes cash contribution based on order
- Step 6: Government loads farmers wallet with matching grant
- Step 7: Redemption of voucher by farmer, and payment agro dealers.

Learning from the first group of beneficiaries indicate that farmers are struggling to graduate to the subsequent cycles due to the challenge of raising their contributions, which increases overtime. This has been compounded by increasingly unpredictable rainfall seasons that have at times led to disrupted marketing of agricultural produce affecting farmers' capacity to enrol under the eVoucher subsidy for the subsequent crop cycles (seasons). Eventually, these farmers fail to get funds to pay to enrol for the subsidy for the second or third crop cycle of the project. Additionally, the COVID19 pandemic has severely affected farm households' incomes and purchasing power affecting their capacity to participate in the eVoucher scheme. The price of most agricultural commodities has gone down due to marketing challenges during COVID19 lockdown.

CCAAU will address this challenge by boosting farmers' participation in the eVoucher and access to quality agricultural inputs in the COVID19 and post COVID19 era through providing matching grants to support savings and lending operations of farmer organizations to members, and (b) re-purpose the eVoucher subsidy to increase subsidy size from the current USD 180 to 240. The subsidy size will increase with farmers own contribution. Farmers who are able to raise their own contribution will access the higher limit. Preliminary findings from the MTR of ACDP however show that enrolment in and investments through eVoucher has significantly increased. This could indicate that an increase in subsidy may not be needed. Increase of subsidy will be determined after findings from MTR have been presented and discussed. ACDP will also adapt the menu of eligible inputs to include farm equipment most impacted by supply chain disruptions under COVID19. The farmers who are organized into 300 ACCEs and 3,000 RPOs are also provided with matching grants to support bulking of produce. The matching grants are towards construction of storage facilities and purchase of processing equipment. The ACDP has also built the capacity of these groups on village savings schemes. On average, these groups save up to \$3,000 annually and borrow themselves these savings at rate of 3-5% per month, translating to over 36% per annum. The interest rate is high, and the farmers are expected to make monthly instalments

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<sup>18</sup> World Bank, 2018 – closing the Potential – Performance divide of Ugandan Agriculture



regardless of whether they have harvested or not. Typically, the loans are however short and the members themselves set term and interest rate.

Under this output, it is planned to support 1500 farmer groups with cash transfers to lending and savings operations of the farmer groups in order to provide members with credit to be able to participate in the e-Voucher. However, current challenge is that not many groups are mature and there is therefore a risk of mishandling the funds. Before funds are transferred to the group accounts, due diligence shall be done and if it is judged the groups cannot handle, then alternative avenues should be explored such as using credible SACCOs and higher-level farmers organizations (ACCEs).

## 6. Inputs/Summary Budget

A budget of DKK 40 million will be made available through the Ministry of Foreign Affairs of Denmark (MFA) sourced from the Danish Climate Envelope. Co-financing of some activities will be provided by MAAIF via existing budget allocations. Community contribution particularly in kind e.g. availing land for woodlots, irrigation assets is desirable as it strengthens ownership.

Sequenced disbursements and regular monitoring allows for interference in disbursements and budget allocations, if needed.

The overall conditions for disbursement of funds includes:

- Satisfactory use of prior disbursements;
- Satisfactory programmatic and financial reporting for the previous period;
- Submitted receipt for prior disbursements;
- Submitted satisfactory audited accounts;
- Availability of approved work plan and budget for the period to be financed;
- No accumulation of funds.

Activity	Budget in million DKK			
	IDA/GoU	Denmark	Total	Percentage of DK contribution
<b>A. RECIPIENT EXECUTED ACTIVITIES</b>	<b>31,746,032</b>	<b>36,190,476</b>	<b>67,936,508</b>	<b>90.5</b>
Output 1: Support to increase adoption of Sustainable Land Management Practices	2,539,683	12,698,413	15,238,095	31.7
Output 2: Support to repair & maintenance the irrigation infrastructure & Rural farm access roads	-	6,349,206	6,349,206	15.9
Output 3: Support boosting farmers participation in the e-Voucher	28,571,429	15,873,016	44,444,444	39.7
Monitoring and Evaluation	634,921	1,269,841	1,904,762	3.2
<b>B. BANK EXECUTED ACTIVITIES</b>	<b>-</b>	<b>698,413</b>	<b>698,413</b>	<b>1.7</b>
ASA 1: Assessment of Household- and plot-level impacts of sustainable land management practices in the face of climate variability and change	-	444,444	444,444	1.1
ASA 2: Assessing socio-technical mindsets: Community deliberations on carbon capture and storage (climate change adaptation and mitigation) in the context of poverty and climate change	-	253,968	253,968	0.6
<b>C. ADMINISTRATIVE &amp; MONITORING COSTS</b>	<b>-</b>	<b>3,111,111</b>	<b>3,111,111</b>	<b>7.8</b>
Trust Fund management & Administration	-	698,413	698,413	1.7
WB supervision	-	507,937	507,937	1.3
WB admin fee on RETF (5%)	-	1,904,762	1,904,762	4.8
<b>TOTAL BUDGET</b>	<b>31,746,032</b>	<b>40,000,000</b>	<b>71,746,032</b>	<b>100.0</b>



## **7. Institutional and Management arrangement**

The implementation of ACDP involves a number of key agencies at both the national and local level, and private sector is also involved in the implementation of some activities. Given the scope of project activities, several ministries are involved in ensuring guidance and oversight of the project. Accordingly, the project requires strong coordination of activities and consultation at the national as well as at cluster and local levels.

Overall responsibility for project implementation lies with MAAIF. Given the demands required for project management and coordination and MAAIF's limited capacity, a Project Coordination Unit (PCU) is established within MAAIF to take on responsibility for day-to-day management of the project.

The PCU is established within MAAIF to provide overall coordination of the project. This includes responsibility for technical leadership and coordination as well as for administrative, bureaucratic, safeguard, and fiduciary related aspects of project management. The PCU reports to the Task Manager, who will be a senior officer designated by MAAIF and accountable to the Permanent Secretary to take overall responsibility for the project. The staff of the PCU will be physically situated within relevant departments of MAAIF and will integrate fully their activities with those of their respective departments. The PCU coordinates with MAAIF's technical and administrative directorates in every aspect of ACDP implementation. MAAIF will be responsible for administrative and fiduciary aspects of ACDP management as well as for managing the M&E function for the project. The PCU has a number of technical as well as administrative positions, including the following: Project Manager; e-Voucher Advisor; e-Voucher Coordinator; Procurement Specialist; Procurement Assistant; Financial Management Specialist; Financial Management Assistant; Monitoring and Evaluation Specialist; Monitoring and Evaluation Assistant; Farmers' Organizations Specialist; Road Engineer; Water Engineer; Agronomist; Social Scientist; Environmental Specialist; and Advisor. The PCU is financed by the ACDP project including its operational costs, staffing, individual consultants, contracts with firms to implement aspects of all four components (including, inter alia, firms and organizations to implement: the e-Voucher system and associated training under Component 1; firms to carry out prefeasibility and feasibility studies and designs under Component 2; and apex farmer organizations to carry out capacity building under Component 3), studies and dissemination of their findings, matching grants under Components 1 and 3, M&E-related activity, reporting, planning, and consultations and conferences.

A National Project Steering Committee (NPSC) is formed to provide consultation and oversight to MAAIF and the PCU at the national level. A National Stakeholder Platform (NSP) is convened by MAAIF once a year (or as needed) to develop awareness of ACDP and to obtain feedback on its design and implementation. A Cluster Multi-Stakeholder Platform (CMSP) has been constituted in each of ACDP's 12 clusters. The CMSPs work closely with district governments to provide consultation, coordination, and oversight at the local level. Local engagement is particularly vital given its role for last mile delivery of services. At district level, the District Technical Planning Committee serves as the District Coordination Committee (DCT), chaired by the Chief Administrative Officer (CAO). Its role is to oversee the planning, coordination and implementation of project activities in collaboration with the PCU. The District Agricultural Officer (DAO) in the District Production Department serves as the Secretariat for the DCT. Day to day implementation is ensured by the DAO who also reports directly to the CAO. A Mid Term Review is presently being carried out, and once it has been approved, the MTR recommendations will also be used in guiding the implementation.

To address the problem of corruption, a Governance and Accountability action plan has been prepared for the project and ongoing training for farmers' organizations has strong content on this. This will also benefit GoU officials, who will be invited to attend these trainings. Also, the project design supports sharing of proper information, cluster coordination, and a more appropriate regulatory environment, thus ensuring transparency.

### **7.1. Communication of results**

This communication plan is designed to ensure effective dissemination of results of the project. The commencement of the project, marked by signing the partnership agreement between RDE and WB, will be publicised to raise awareness that Denmark supports Green Growth and improvement of resilience to climate change by smallholder farmers in Uganda. This could be linked to an ACDP event in a participating district. After the implementation of the project information on individual projects, highlighting Danish support to smallholder farmers will be disseminated. Impact stories from beneficiaries will be communicated at the end of the project. RDE Social media platform, TV and print media in Uganda will be used for communication.

## **8. Financial Management, Planning and Reporting**

In accordance with the MDTF Governance framework, funds will be disbursed to the MDTF of WB in Uganda. Hence the support is provided as an earmarked contribution to the WB, and as such, implementation modalities and quality assurance follows the procedures of the multilateral partner.

Therefore, given that this is a delegated partnership with the WB, the RDE will not have a direct role in implementation or oversight of the CCAAU as part of the ACDP. At implementation level, the financial management, planning and reporting will follow the systems already set up based on GoU and WB policies and procedures. These have been elaborated in various documents including the Project Implementation Manual (PIM).

Still, the RDE will complement the WB and MAAIF supervision mechanisms for the CCAAU, by actively pursuing a prudent and engaged monitoring, while allowing for sufficient space for the partners to operate: Annual report and semi-annual follow up on implementation will be provided to the Joint Advisory Committee under the MDTF in which Danida will be part. Annual and financial reporting will be in line with the financing agreement with the WB. In addition to the Annual Reports, the Bank shall provide RDE with semi-annual written progress reports by March 30 and by September 30. The progress reports shall be provided with reference to the results framework agreed by the two parties. As necessary such results framework may be reviewed by the Parties from time to time. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall provide to RDE a final narrative progress report for the Trust Fund. Reporting will follow the standard reporting criteria including by ensuring appropriate indicators allowing for assessment of Relevance, Coherence, Effectiveness, Efficiency, Impact and Sustainability. It will by default be difficult to credibly attribute to the latter two, within a timeframe of two to three years, but attempts to substantiate change that will lead to these objectives will be made.

Additionally, RDE may review or evaluate activities financed by the Trust Fund at any time up to closure of the Trust Fund. The RDE and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the

Bank, shall be borne by RDE. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

MAAIF is responsible for administrative and fiduciary aspects of ACDP management. Fiduciary reviews will be conducted by the Bank's FM and procurement specialists to ensure that systems and capacities remain adequate during the life of the project in accordance with the Bank's fiduciary requirements. MAAIF's Internal Auditor in collaboration with the district internal auditors will be required to conduct semi-annual internal audit reviews on the project and to submit the report to the World Bank within 45 days after the end of each semester. An annual fiduciary review will be conducted by MoFPED's Internal Audit Directorate. The resources for the reviews by MAAIF and district internal auditors will be provided for under the project.

The ACDP has incorporated reporting deadlines in project documents with close follow-up and adequate facilitation of district fiduciary staff to ensure compliance and address weaknesses identified in the audit reports. Staffing gaps have been addressed by recruitment of a project accountant at MAAIF and also recruitment / filling vacant positions of Chief Finance Officers and Head Of internal Audit at district level.

The ACDP has incorporated Capacity Building of Farmers' Organizations in among others, good governance and accountability within cooperative arrangements, marketing, recordkeeping, operations, and cost management.

The Bank shall, consistent with its policies and procedures, take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of the Trust Fund funds, and include provisions in its agreements with Recipients to give full effect to the relevant Bank guidelines on fraud and corruption. In the event that the Bank determines that there are credible and material allegations of fraud, corruption, collusion or coercion in relation to Recipient-executed and/or Bank-executed activities financed by the Trust Fund that result in the Bank opening an investigation into such allegations (an "Investigation"), the Bank shall, in accordance with its applicable policies and procedures take timely and appropriate action with respect to such allegations and, where relevant, seek appropriate redress, including potential sanctions and keep RDE informed.

Agricultural statistics under UBOS has been strengthened in recent years, even if the link to M&E of MAAIF is still somewhat uncertain. This is an issue that is scrutinized by the members of the Agricultural Development Partners Group, and under ACDP; the M&E unit of MAAIF has been strengthened through training. Furthermore the M&E of PCU has been strengthened by employing two assistant M&E officers to ensure better reporting on progress. The RDE management will have regular consultations with senior representatives of the World Bank and MAAIF, which will allow for frank discussions on progress, and the importance of rigour and capacity of programme M&E performance. This will further include input to ToRs and Specifications for reviews, audits, etc.

As can be seen above, the RDE will have a number of opportunities to engage in setting the strategic direction of the project as well as in following the monitoring of progress. In addition to the regular reporting received from the WB and participation in the range of steering fora outlined above, the RDE will participate in monitoring missions, including the Joint Agricultural Sector Annual Review where all projects of MAAIF, including the ACDP are reviewed. The RDE will be strengthening its engagements in monitoring missions by including key NURI staff on an ad-hoc basis, just as, where the RDE deems it necessary, by accessing external support to supplement the RDE staff in these monitoring exercises.

The ongoing quality assurance and follow up also involves collaboration and information exchange with other donors, which are also engaged with the systemic change agenda within agriculture, such as USAID, the Netherlands, IFAD, GTZ, and the UK.

After the termination of the programme support, the RDE reserves the right to carry out evaluation,

## **9. Risk Management**

The Contextual risks include COVID-19 pandemic response measures reducing agricultural activities, agricultural outputs and marketing. This will be mitigated by labour intensive public works and by boosting farmers' participation in the eVoucher and access to agricultural inputs through support to strengthening Village Revolving Fund in targeted rural communities and re-purposing existing subsidies. Furthermore, climate change will worsen the situation by increasing water stress as well as the number of extreme weather events such as floods and droughts. Research confirms that in poor countries like Uganda, women and children suffer disproportionately from such risks. The focus of the Project around the management of natural resources (agriculture, and water) through improved sharing and communal participation has, however, the potential to reduce the impact of contextual risks from high to moderate.

The programmatic risk is the non-delivery expected results, which is unlikely but would have major impact. In order to mitigate this risk, reporting deadlines will be incorporated in project documents with close follow-up by MAAIF and adequate facilitation of district fiduciary staff to ensure compliance and address weaknesses identified in the audit reports.

Institutional risk are several and includes among others: weaknesses in government PFM systems, Heavy and growing public provision of free agricultural inputs directly to farmers, and Governance and corruption, budget constraints and Denmark being associated with a potential major corruption case within the ACDP. These risks are mitigated in several ways. A PCU is established within MAAIF to manage project implementation. Substantial capacity within the PCU (in terms of staff and other resources) has been established to enable it to manage implementation successfully. In order to closely monitor the PCU, WB approves the Project AWP&B; Procurement Plan; Provides No Objections to Prior Reviewed procurements; ToRs, Specifications etc. for the PCU.

Substantial capacity building is being provided to producer organizations and other local groups involved in the project to ensure that each plays its role effectively. Further, a number of important implementation roles has-been sourced from the private sector. There is ongoing dialogue with MAAIF that free inputs should not be provided in the districts of ACDP. All of these measures will help to mitigate the risks associated with the capacity constraints inherent in MAAIF itself.

## Annex 1: Context Analysis

### 1. Overall development challenges, opportunities and risks

Notice. Although impact of the COVID- 19 pandemic has been referenced, the full extent of its shock on the country is still being measured and assessed.

Climate Change is unquestionably one of the biggest challenges facing the world today. This is also very much the case in Uganda, where Climate change increasingly affects physical, social, and economic structures. The country is ranked 166 out of 181 nations on the ND GAIN Index, and is reportedly one of the least prepared to deal with the challenges.

The National Resistance Movement (NRM) and President Museveni have been in power uninterruptedly for more than 30 years. Over this period the country has been relatively peaceful with good economic growth rates, but with economic and political power increasingly concentrated in a relatively small elite. There has been progress in legislation on social and human rights, but less in implementation. Still, Uganda has been active in promoting peace in an unstable neighbourhood and has a progressive and welcoming refugee policy.

It is against this backdrop that the chapter below briefly presents the present context in Uganda.

General development challenges:

Although Uganda is among the 20 poorest countries in the world and ranks 159 out of 189 on the Human Development Index (December 2019), its performance on particular poverty reduction has been impressive. UNDP estimates that the reduction of the population living under 1 USD a day was reduced in the MDG period 1990 to 2015 by two thirds, and according to the World Bank, the proportion living in extreme poverty (below USD 1.25 per day) was reduced by almost half from 1993 to 2013 (from 68.1% to 34.6 %). However, recent national statistics show a 7% increase in poverty between 2013 to 2017.

The positive developments derived from increased agricultural incomes for the poorest smallholders, and could largely be ascribed to favourable weather conditions during most of the period and high commodity prices, rather than improvements in productivity-enhancing factors. This overreliance on external factors renders the poverty reduction precarious and the average Ugandan increasingly vulnerable to shocks (i.e. climate change and/or low prices): For every three Ugandans lifted out of poverty, two fall back in poverty within a short period. Around 40% of Ugandans remain “insecure non-poor”, defined by the World Bank as those living on less than twice the extreme poverty income of USD 1.25 per day.

Income inequality is growing in Uganda with women, youth and children constituting the highest percentage of those living in extreme poverty and with poverty and vulnerability being especially pronounced in Northern Uganda, home to 43.7% of people living in extreme poverty.

National Development Plans: Uganda’s Vision 2040 defines the long-term vision for Uganda as “A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country”, moving towards becoming a competitive upper middle-income country. The vision is intended implemented through five-year National Development Plans (NDPs). Presently Uganda has defined its third NDP (NDP III) for financial years 2020/21-2024/25 with the overarching – and overly ambitious – goal to increase average household incomes and achieve a per capita income of USD 1,301 by 2025. The key priority areas laid out in NDP III are primarily related to enhancing value addition in key growth opportunities, including agro-and mineral-based industrialization, private sector growth, and infrastructure development. Less priority is given to traditional social service delivery (i.e. education, health, water and sanitation) as well as general principles of good governance.

#### Development in key economic indicators:

Overall Uganda's macro-economic framework is generally sound and future prospects are fair. Short-term potential sources for instability are the risks of inflation, while more long-term instability factors are regional insecurity and a growing debt with lower oil income than planned.

The agricultural sector, which employs the bulk of the labour force, is also unlikely to achieve high rates of growth in the short and medium term.

The global COVID-19 pandemic is expected to severely hit the Ugandan economy through several channels, with detrimental effects on economic activity and social indicators. The external and fiscal accounts are expected to deteriorate, creating substantial urgent external and fiscal financing needs. A temporary widening of the fiscal deficit is warranted in the short term to allow for the implementation of the response plan. Recent MoFPED and IMF data confirm that fiscal deficit has risen from 4.9% in FY 2018/19 to 7.2% in FY 2019/20.

Despite a temporary worsening of debt indicators (from 35.4% of GDP in FY 2018/19 to 40.2% in FY 2019/20 against a debt threshold 50% of GDP) and heightened vulnerabilities, public debt is expected to remain sustainable.

#### Status and progress in relation to SDGs:

**SDGs:** Uganda formulated the NDP II while the SDGs were finally discussed in the UN General Assembly. As such the NDP II domesticated the SDGs with an alignment rate of 76% (120 targets addressed) and the country became one of the 'frontrunners' for integrating the SDGs in national development plans.

The GoU has also established a monitoring system and created relevant structures to oversee and communicate implementation<sup>13</sup>. The Government estimates that 76 per cent of the SDGs targets are reflected in the plan and adapted to the national context.

Under NDP III, the approach to achieve SDGs has been strengthened. GoU has identified three sectors: industry, governance and environment as accelerators for the attainment of NDPIII targets and in particular SDGs. The logic is that, first; public investment in industry contributes to: reduction in poverty; access to clean and safe water and sanitation; access to affordable energy; access to decent employment; resilient infrastructure; sustainable consumption and production; combating the impacts of climate change. Second, good governance is key to the implementation of public expenditure and the facilitation of private investment and also increases productivity with significant improvement on a number of SDGs. Governance directly contributes to achievement of peaceful and inclusive societies. It also facilitates private investment, bringing people out of poverty, and increasing the effectiveness of implementation of water and sanitation activities. Third, environment on the other hand, directly contributes to the achievement of; sustainable cities, combating climate change and protection and preservation of environment and natural resources. It also helps significantly in the mitigation of the negative consequences of industrialization which could otherwise have a negative impact on growth and vulnerability. This level of commitment is therefore lays a good foundation for investments in realizing SDGs.

#### Political economy:

- The drivers of policy, decision making and resource allocation in the agriculture sector are the presidency, OWC and MoFPED. MAAIF is largely on the receiving end of decisions made from above. Their lack of professional evidenced-based analysis and advice makes their voice ineffective. Nevertheless, the political elite recognize that agriculture is the livelihoods for the majority of Ugandans and are therefore committed to prioritizing for investments.
- The policy framework for participating of CSOs in policy dialogue is good. The GoU provides space for CSOs to participation in key decisions in the sector through organs such as the Agriculture Sector Working Group, Joint Agriculture Sector Annual Review. Overall, however, the CSO space has been stringent scrutiny and registration conditions. Following a process of revalidation that started in 2019, out

- The opposition parties are expected to come up with alternative policies and hold the government in power accountable through chairing accountability committees of Parliament. However, the opposition have been weakened by internal divisions and their role has been diminished.

*List the key documentation and sources used for the analysis:*

- <https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world?page=12> (accessed 12.02.2017) The Global Finance Magazine ranked Uganda as number 19 in 2015.
- [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/UGA.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/UGA.pdf) (accessed 30.08.2020)
- World Bank *Uganda Systematic Country Diagnostic*, December 2015, and WBG: Uganda's Poverty Assessment Report 2016. September 2016  
<http://pubdocs.worldbank.org/en/381951474255092375/pdf/Uganda-Poverty-Assessment-Report-2016.pdf> (accessed 12.02.2017)
- WBG: *Country Diagnostic 2015* & Government of Uganda: "Millennium Development Goals Report for Uganda 2015". 2016 <http://www.worldbank.org/en/country/uganda/brief/uganda-poverty-assessment-2016-fact-sheet> (accessed 20.02.2017)
- World Bank Group. "Uganda Systematic Country Diagnostic. Boosting Inclusive Growth and Accelerating Poverty Reduction" December 4. 2015 p. 2 (WBG: Country Diagnostic 2015)
- <http://npa.ug/wp-content/themes/npatheme/documents/vision2040.pdf> (accessed 20.02.2017)
- The big infrastructure projects; dams, roads, etc. are mainly financed by Chinese banks and it is speculated that they are planned to be paid back with income from oil. (see section 1.2 below)
- IMF June 2020 Update
- MAAIF ASSP III, 2020
- The African average is 8 kg/ha (2002) (Source: M. Morris et al. 2007. "Fertilizer Use in African Agriculture: Lessons learned and good practice guidelines." World Bank, Washington, DC).
- Sub-Saharan African and Asia figures are for the year 2000 (Source: World Bank. 2008. *World Development Report*. World Bank, Washington, DC).
- World Bank, 2018 – closing the Potential – Performance divide of Ugandan Agriculture
  - <sup>1</sup> National Planning Authority, NDP III (2020)
  - <sup>1</sup> UNDP: "Uganda, Our Constitution, Our Vision, Our SDGs" Kampala 2016 p.22

*Are additional studies / analytic work needed? How and when will it be done?*

No additional studies is required. However, it is important to monitor and analyse and significant changes in the context that may impact the project and take necessary corrective measures including policy dialogue within the established forum or through multilateral channels e.g. LDPG .

## 2. Fragility, conflict, migration and resilience

Although Uganda has experienced relative peace internally in most parts of the country since 1986, and the Lord's Resistance Army (LRA) that wreaked havoc in Northern Uganda for many years forced out of the country, there are still fragility signs.

The Fragile States Index for 2016 ranks Uganda as number 24 (out of 178 countries) and falling in the sub-group of countries characterised by 'alert'. Neighbouring South Sudan is third, Somalia second with Yemen topping the list.

From 2010 to 2014, another rebel movement - the Allied Democratic Forces (ADF), based in the North Kivu in the DRC but emanating from around the Rwenzori mountains in Uganda and led by a former Christian pastor now converted to Islam - emerged. The UPDF has on occasions been involved in attempting to eradicate the ADF.

Uganda has for decades hosted refugees and asylum seekers from conflict-affected countries in the region e.g. the DRC, Rwanda, South Sudan, Somalia and Burundi. Since 1961 Uganda has in any given year hosted at least 160.000 refugees and asylum seekers and is currently hosting more than one million refugees from South Sudan and more than 1.4 million refugees in total.

Underlying potential conflict drivers include:

- There is a risk for social unrest in connection with the upcoming national elections in 2021. This may add to / draw on existing conflict drives such as:
  - Frustration among youth with a high degree of unemployment and gender inequity;
  - Inequality in development between the regions of Uganda, especially the North
  - Politicisation of religious and ethnic identity and tensions between government and cultural (religious and traditional) institutions
  - Limitation of political expression and space for the opposition given the ban on physical campaigning and the overwhelming control of the media by the ruling party members and sympathizers.
- Institutionalised corruption and poor governance, including human rights abuses
- Land and resource competition
- Regional instability (e.g. fighting in South Sudan, violence and political instability in DRC)
- A post COVID19 spike in the arrival of new refugees, after the borders have been closed

- Identifying on-going stabilisation/development and resilience efforts and the potential for establishing partnerships and alliances with national, regional and other international partners in order to maximise effects of the engagements.

- Issues and concerns of relevance to Danish interest in the area of security and migration.

- Identify where Denmark has comparative advantages that may lead to more effective and efficient programming and better results including where Denmark may contribute with deployment of specific expertise and capacities.

- Considerations regarding the humanitarian situation, migration, refugee and displacement issues, including the need to integrate humanitarian-development linkages and long term strategies;

- Relevant issues and considerations related to radicalisation and violent extremism and the potential for Danish engagement to prevent and counter violent extremism (P/CVE).

- There are no issues related to radicalisation and violent extremism in this project.

*List the key documentation and sources used for the analysis:*

- <https://fragilestatesindex.org/data/> (accessed 30.08.2020)

- While ADF has not been known to be active in Uganda, there are reports that it is still active in Eastern DRC see: <http://www.globalsecurity.org/military/world/para/adf.htm> (accessed 10.09.20)

*Are additional studies / analytic work needed? How and when will it be done?*

No additional studies or analysis required



### 3. Assessment of human rights situation (HRBA) and gender<sup>19</sup>

GoU is committed to inclusive sustainable development, to this end the NDPIII has adopted the HRBA with particular attention to human rights principles of equality and non-discrimination, empowerment and participation and attention to vulnerable groups. NDPIII notes that the application of this approach will contribute to bringing the government closer to the people in order to effectively address their development needs, advance equality and leave no one behind. All sectors, ministries, departments, agencies and local governments have therefore been directed to adopt HRBA in their respective policies, programmes, legislation and plans.

The mandatory Human Rights and Gender screening note was prepared as input to the Country Programme 2018-2022. The screening note remains relevant for this project. Below are assessments related specifically to this project.

Key support elements included to promote non-discrimination:

*The eVouchers scheme approach of the ACDP offer greater control over farmer targeting and minimize discrimination based on political, ethnic, religious affiliation or other sectarian tendencies, and corruption associated with input matching grant schemes. Further, such programs encourage the development of private sector distribution networks (rather than replacing them or crowding them out – an unintended consequence of many other types of schemes to expand input use).*

*The gender mainstreaming in the ACDP will explore incorporating affirmative actions in activities including (but not limited to) training, financial access, land access and use (on the irrigation schemes), access to inputs, and all other component areas.*

Key support elements included to promote participation and inclusion:

*The selected commodities for the ACDP are major food crops for which women and youth are often granted (within the family) access to land for production. The project will help women and youth become more effective in their participation in farming activities and help them have more transparent and equitable access to income received from the sale of these commodities. ACDP will have a gender target of no less than 40 percent women. There will also be at least 20 percent youth each in all its activities and commodity implementation.*

Key support elements included to promote transparency:

*The ACDP will contribute to better management of public resources through the input voucher scheme. This program is helping the GoU move from its current public input distribution program under NAADS (characterized by GoU direct procurement and distribution of free inputs to farmers. This is GoUs programme Operation Wealth Creation (OWC), which is largely a facility to distribute handouts as a political tool) to a much more transparent and controllable system (the eVoucher scheme) explicitly designed to promote transparency and minimize opportunities for mis-management of funds.*

Key support elements included to promote accountability:

*The ACDP has incorporated reporting deadlines in project documents with close follow-up and adequate facilitation of district fiduciary staff to ensure compliance and address weaknesses identified in the audit reports. Staffing gaps have been addressed by recruitment of a project accountant at MAAIF and also recruitment / filling vacant positions of Chief Finance Officers and Head Of internal Audit at district level.*

*The ACDP has incorporated Capacity Building of Farmers' Organizations in among others, good governance and accountability within cooperative arrangements, marketing, recordkeeping, operations, and cost management.*

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<sup>19</sup>The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

Major dilemmas/risks associated with the policy dialogue and proposed mitigation measures:

*Corruption and political interference. Mitigating measures in line with risk matrix: The Embassy will not have a direct oversight of the ACDP. MAAIF is responsible for administrative and fiduciary aspects of ACDP management. MAAIF's Internal Auditor in collaboration with the district internal auditors will be required to conduct semi-annual internal audit reviews on the project and to submit the report to the World Bank within 45 days after the end of each semester. An annual fiduciary review will be conducted by MoFPED's Internal Audit Directorate. The resources for the reviews by MAAIF and district internal auditors will be provided for under the project.*

Key rights holders: farmers (men, women and youth)

Key duty bearers: MAAIF, DLGs, ACDP contractors.

List the key documentation and sources used for the analysis:

Relevant references and guidance may include:

- Universal Period Review (UPR) processes and analysis (<http://www.ohchr.org/EN/HRBodies/UPR/Pages/Documentation.aspx>)
- International and regional human rights and HRBA principles and HRBA Guidance Note of 2013

*Are additional studies / analytic work needed? How and when will it be done?*

No additional studies or analytical work required.

#### 4. Inclusive sustainable growth, climate change and environment

The mandatory screening note for Climate Change and Green Growth was prepared as input to the Country Programme 2018-2022. The screening note remains relevant for this project. Below are assessments related specifically to this project.

The overall assessment of climate change impacts and responses:

*Investment to address climate change is necessary. For Uganda, addressing climate change and promoting development are increasingly linked, as reflected in the Vision 2040 goals, and in relation to Uganda's contributions to achieving SDG 13 concerning climate change. The policy responses are embedded in the National Climate Change Policy (NCCP) and in the (still to be approved) Uganda Green Growth Development Strategy (UGGDS) and Climate Change Bill. In order to move towards implementation, there is a need to mobilize action from a wide range of stakeholders, including private enterprises and local communities. This should include gender sensitive approaches. Uganda's development partners active in climate change (including UNDP, FAO, AFD, EU, WB, GIZ, USAID, DFID, Belgium as well as Denmark) can support this development by integrating climate change adaptation and mitigation in their programmes, building capacity in GOU, local governments and other stakeholders, and facilitating access to climate finance.*

The status of policies and strategies for green growth and the procedures for environmental impact assessment in the country and sector:

*Even though ambitious policies and action plans are in place, the ambitions are not matched by a sufficient institutional and human capacity for their implementation. This is partly due to lack of political prioritisation, resources and technical capacity, leading to delays, weak monitoring and follow-up. Development partners could support implementation through initiatives to strengthen good governance and by including green growth/ climate change awareness and capacity building across their programmes.*

Climate change and green growth opportunities:

*Uganda has abundant natural capital, which can be utilized and enhanced through sustainable growth, and provide the basis for a climate resilient, sustainable and inclusive economy. These opportunities need to be mobilized across all sectors of the economy. This includes agricultural value chains, which are the focus area of the ACDP. Climate-smart, sustainable economy approaches and technologies can contribute to higher productivity and added value in production and processing (agro-industries), to income generation and job creation, and to increased export earnings. Furthermore, there are opportunities for including youth and refugees, and for promoting gender equality. ACDP has the potential to demonstrate solutions, e.g. concerning water resource management, access to finance for rural SMEs and more sustainable agricultural methods, which may be duplicated across the country.*

Climate change and green growth risks:

*The main risk for Uganda is the risk of inaction, which is expensive, has a negative impact on the economy and livelihoods, and would indicate a missed opportunity to respond timely to the challenges from climate change, unplanned urbanization, limited development opportunities in rural areas, inequality, growing youth unemployment and high influx of refugees. Targeted efforts concerning climate change adaptation and environmentally sustainable agriculture including water resource management are planned under NURI, with both host communities and refugees as beneficiaries, sustainable investments in agribusinesses supported under aBi and the ACDP. Additional risks may come from conflicts over land rights, weak governance (low transparency and accountability; corruption), impacts of land-use in environmentally sensitive areas, lack of resources, capacity and awareness.*

Environmental screening for SLM interventions, rural farm access roads, and irrigation infrastructure:

Consider rights and access to key natural resources: land, water, energy, food and agriculture, including impacts on employment of youth, women and indigenous peoples, etc.

Men, women and youth have equitable access to natural resources to grow the ACDP commodities. The establishment of SLM structures and rehabilitation of smallholder irrigation infrastructure focusing on efficiency measures, and rural farm access roads through LIPW will create employment for youth and women.

*List the key documentation and sources used for the analysis:*

Relevant references and guidance may include:

*No additional studies required*

## 5. Capacity of public sector, public financial management and corruption

The capacity of the public sector for policy making, enforcement and service delivery is generally weak. This is recognized in the NDP III and GoU has made a commitment to restructure, capacitate and empower an incentivized the public sector to play the role it should play in a 'development state' model.

Uganda has implemented Public Financial Management (PFM) reforms since the 1990s through initiatives such as the on-going Resource Enhancement and Accountability Programme (REAP). REAP is funded through a basket arrangement by Government of Uganda and development partners including by Denmark. The overall goal of REAP is to strengthen PFM at all levels of government to ensure efficient, effective, and accountable use of public resources as a basis for improved service delivery. Overall, the reform agenda has registered impressive milestones, but the technically robust PFM systems continue to be compromised by politically motivated regime interests and lack of political will to fight corruption.

REAP is an on-budget programme coordinated by the Ministry of Finance with reform programmes implemented across all government entities. PFM reforms have focused on strengthening the following areas: fiscal and macroeconomic policy; budgeting; rolling out of integrated financial management systems; external oversight; internal oversight; parliamentary oversight; public procurement; and capacity of the central and local governments to manage public resources.

Successive Public Expenditure and Financial Accountability (PEFA) reviews and evaluation of previous reform programmes show an improvement in the PFM environment. The most recent PEFA (2016) highlights significant progress in the reform processes with an improvement in at least 21 PFM dimensions and 16 out of 31 indicators. Some of the well performing areas include: improvement in aggregate revenue forecasting; strong external audit function; strengths in the accountability mechanisms, such as the comprehensiveness and issue of annual financial statements; improvement in response to audit recommendations; timeliness in submission of financial statements for audit; and extension of internal audit which meets professional standards to all central government votes.

Outstanding challenges that require attention are in the areas of domestic resource mobilisation, budget credibility and control, fiscal risk management, enforcement of compliance, and capacity for the design and implementation of credible projects or programmes. The challenge of poor accountability, as reported in audit reports issued by the supreme audit institution i.e. the Office of the Auditor General, points to the need for renewed efforts to further consolidate the gains in reform interventions. Government of Uganda also needs to work on further linking sector strategies to multi-year budgeting as well as allocating resources to agreed midterm strategies. On the expenditure side, the accumulation of arrears is a persistent problem that must be addressed. It is these challenges, among others, that REAP is attempting to address.

In addition to the PFM reforms, Uganda has quite an extensive legal and institutional framework to combat corruption. Key anti- corruption legislation includes the Leadership Code Act, the Prevention of Corruption Act, Access to Information Act, the Inspectorate of Government Act, Penal Code Act, the Uganda Government Standing Orders and Code of Conduct, Whistle Blower Protection and Anti Money Laundering Act among others. In addition, a National Anti-Corruption Strategy has been developed and a specialized anti-corruption court established within the Judiciary. Some of the accountability institutions, notable the Inspectorate of Government (IG), have seen an increase in public funding in recent years and appears to be quite independent. Civil society also plays an active role in the fight against corruption notably by highlighting the link between high-level corruption and the poor state of public services. Their efforts are to some degree hampered by what appear to be a deliberate clamp-down on CSOs working on accountability issues.

Despite all these good efforts, grand and high-level corruption continues, and Uganda was ranked as 137th least corrupt out of 180 countries in the latest Corruption Index from Transparency International from 2019. So far, the GoU has failed to hold the highest members of its government accountable for large scale graft, despite repeated pledges to eradicate corruption and good technical work by investigators and prosecutors. Lack of political will and patronage has crippled Uganda's anti- corruption institutions undermining their efforts through political interference, harassment, and threats.

The main fiduciary risks identified for this project are weak compliance and sanctions, low enforcement of procurement regulations, delay in review of audit reports, and the need to continuously enhance the integrity and security of PFM systems. Overall, however, the greatest risk is the lack of political will to fight corruption. As the political economy in Uganda to a large extent is being driven by politically motivated regime survival and characterized by a system of patronage, the PFM systems which at a technical level is relatively advanced and robust is being compromised and undermined.

The continued systemic corruption within the public sector in Uganda has influenced the Embassy's decision to limit funding to GoU institutions and primarily support the private sector and civil society. Only those GoU institutions assessed to be of high integrity will be directly supported. As public procurement is identified as an area prone to corruption, the Embassy has taken a deliberate choice to use a Project Coordination Unit (PCU) modality in interventions involving Local Government procurement in order to maximize oversight and control. The PCU approach is also used by WB for the ACDP.

*List the key documentation and sources used for the analysis:*

Relevant references and guidance may include:

- National and development-partner documents on public-sector reforms; PFM reform-related documents; PEFA assessments; development-partner assessments of procurement quality, etc.; WB CPIA assessments; Transparency International and local corruption assessments (corruption diagnostics and barometer reports, etc.)

*Are additional studies / analytic work needed? How and when will it be done?*

No additional studies required.

## 6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

With Uganda being a poor but stable country situated in an increasingly unstable region, and being the largest refugee hosting country in Africa, Denmark has a clear interest in a strong Danish-Ugandan partnership. This partnership will be based on and take its lead from the SDG's, the Ugandan development plans, and *World 2030*.

Contributing to stability in Uganda is of key interest to Denmark. The conflicts in some of Uganda's neighbouring countries, in particular in South Sudan, is likely to put domestic stability and economic development under pressure, since Uganda to a large extent relies on exports to its neighbouring countries. Also, the continued massive influx of refugees could lead to a "breaking point", prompting Uganda to abandon its current refugee policy with potentially profound consequences for regional stability and thus refugee movements. It is a key assumption that the ACDP will contribute to domestic stability and thus bolster Uganda's capacity to maintain its stabilizing role in the region.

Good opportunities for cooperation with multilateral institutions for enhanced synergy, more coherent and more effective division of labour exist in Uganda. Most of the traditional development partners (several EU Member States, Norway, US, Japan as well as multilaterals such as the World Bank and numerous other UN organisations: FAO, IFAD, IMF, AfDB as well as the EU) have a strong presence in Uganda.

Coordination is relatively good and takes place at an overall level in the Local Development Partners' Group (LDPG) and at sector level with rotating chairmanship. Besides an active participation in the LDPG, Denmark is coordinating with other DPs in a number of sectors/areas including: Northern Uganda, Agriculture as well as Water & Sanitation. The latter two has a strong focus on climate.

*List the key documentation and sources used for the analysis:*

*Are additional studies / analytic work needed? How and when will it be done?*

No additional studies required.

## 7. Stakeholder analysis

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

*Who are the stakeholders that may be interested in or affected by the program, including donors?*

The key stakeholders interested in or affected by the program include the World Bank, Government of Uganda represented by MAAIF and other MDAs, the private sector, farmers organizations and smallholder farmers.

*Who are the key stakeholders and what are their main interests, capacity and contributions?*

- The World Bank - interest of the Bank is to increase effectiveness of their investment in ACDP by strengthening the CSA dimension.
- The Government of Uganda – interested in improving the lives of its citizens and addressing climate change impact but resource-constrained and therefore welcomes the injection of funding to address these challenges. The capacity of GOU is generally weak and in particular is weak in enforcing policies, implementation and evidence-based policy and decision making. However, measures will be taken to mitigate any weaknesses through PCU staffed with the relevant skills and competencies
- The private sector see opportunities for growth in their businesses.
- Farmers organizations are interested in building their capacity to serve their members better, growth in business and assets base through the matching grants.
- Smallholder farmers looking at accessing subsidized inputs, learn modern farming methods and market their easily and with better returns.

- How do the stakeholders (in this programme context) communicate, coordinate, and cooperate?  
 - Without the project communication, coordination and cooperation between the various stakeholders is relatively weak but this will be strengthened under the project through project structures such as CMSP.

- Who is the lead stakeholder and is it a homogenous group or are there divisions within the group?  
 - The WB is the key stakeholder in their project. CCAAU will be implemented through the ongoing ACDP funded by the Bank.

- How have key stakeholders been involved during the preparation and formulation process?  
 - WB originated the concept note that informed RDEs own concept note and the development of the project document.

- Which stakeholders are likely to support the programme and who, if any, are likely to hinder the program? (Who stands to gain and who stands to lose?)

- The five categories of stakeholders WB, GoU, private sector, farmers organization and smallholder farmers are all likely to support the project. They all have something to gain as listed above. The likely opposition to the project may arise during implementation especially in relation to conflict over resources e.g. marram pits during construction of roads.

- What are potential strategies (approaches, methods, etc.) for engaging key stakeholders?

- To ensure cooperation, coordination, and effective implementation of the project, it is vital to effectively communicate with the stakeholders and explain how they gain from the project. The other approach is to bring representatives of the stakeholders in project implementation structures.

- Which stakeholders offer the best overall prospects in terms of possible partnerships and why?
- WB is the best option for partnership because of their strength & influence towards GOU and already have established structures and systems for project implementation.

*List the key documentation and sources used for the analysis:*

Relevant references and guidance may include:

- Joint EU programming documents; sector studies and analyses, national aid management coordination documents, etc.

*Are additional studies / analytic work needed? How and when will it be done?*

List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.



## Annex 2: Partner

There are four partners that are vital for implementation of the proposed project. Their mandate, justification for inclusion, their expected contribution and capacity are summarised below.

RDE has not carried out any bilateral capacity assessments of the four key partners. Assessments are based on the performance review of the WB in Uganda, based upon which we have confidence in the WB, hence also their assessment of the other partners, as part of their due diligence. The WB undertook capacity assessment of MAAIF at appraisal of the project. This capacity is reviewed at every implementation support mission (ISMs).

Partner name	Mandate	Justification for inclusion	Partners' main contribution	Partners' capacity
<b>World Bank</b>	Trustee of the MDTF with overall responsibility decision making responsibility and operations including allocation of funds, the implementation of Bank-executed activities and the supervision of Recipient-executed activities.	Has a strong relationship and influence with the recipient and possess the necessary levers to make required changes for the effective implementation of the project	Providing the bulk of the funding on which Denmark's contribution is leveraging on. Responsible for operation, supervision and reporting on the fund.	Has the required capacity to undertake its mandate and execute its roles. Moreover, it possesses the necessary resources to enhance any capacity gaps that may emerge.
<b>MAAIF</b>	Overall responsibility for project implementation with strong oversight by WB.	Has the constitutional and legal mandate for coordinating the sector through policy formulation, planning, regulation, and technical backstopping of LGs who deliver services to the population	Overall coordination of the project, provision of technical expertise in irrigation, extension, data collection and analysis. It is financially contributing to the overall project	Like the rest of the Ugandan civil service, MAAIF is generally weak, and lack required skills, tools and financial resources required for delivery of services to the population. Under ACDP this has been mitigated by creating a Project Coordination Unit staffed with experts to bridge in in-house capacity gaps.
<b>District Local Governments</b>	Coordination and implementation of government programmes at local level. LGs also have legislative functions through enactment of ordinances and byelaws to address problems at those levels	LGs are the main link to project beneficiaries and provides the technical knowledge and skills required at beneficiaries levels	Coordinating, implementing and supervising project activities at beneficiaries' level.	The rapid multiplication of administrative units without commensurate resources have left most LGs with low staff levels incapable of effective public service delivery. The technical knowledge and skills of some staff is also lacking.



Partner name	Mandate	Justification for inclusion	Partners' main contribution	Partners' capacity
				The project has interventions to address any capacity gaps that are critical for project implementation. E.g. TOT for extension workers on SLM.
<b>Farmers Organizations (Groups, ACCEs)</b>	The structure for organizing farmers to have a strong and unified voice, they provide services to members and leverage their numbers to bargain for better terms in various business dealings	Critical link with the smallholder farmers for services, markets and advocacy.	Mobilise farmers to produced marketable surplus, provide post-harvest and value addition services.	Most FOs have weak governance structures, inadequate human and financial resources for provision of services to members and lack business acumen to ensure their sustainability. Through the project, this gap is being address to intensive training and mentoring.

### Annex 3: Result Framework

The results framework is built on the original and current project period, which is due to end 31 December 2022. The project directly contributes to Sustainable Development Goals (SDGs), in particular SDG 1 (End poverty); SDG 2 (No hunger), SDG 8 (Inclusive and sustainable economic growth, employment and decent work); and SDG 13 (Climate action).

<b>Project</b>		<b>Agriculture Cluster Development Project (ACDP)</b>	
<b>Project objective</b>		<p><b>ACDP overall objective: Raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified geographic clusters</b></p> <p><b>The development objective of the Danish support is to “green” the ACDP through promotion of climate-resilience technologies and thereby assist Uganda to adapt agriculture to climate change</b></p>	
<b>Impact Indicator</b>		<ol style="list-style-type: none"> <li>1. Yield (MT/ha) of selected climate resilient commodities (maize, rice, beans, cassava, and coffee) for the participating households</li> <li>2. Increase (%) in maize, rice, beans, cassava and coffee production by participating farms practicing climate smart agriculture in the project area</li> <li>3. Increase (%) of marketed produce (MT) for selected climate resilient crops (maize, rice, beans, cassava, and coffee) by participating ACCEs in the project area</li> </ol>	
<b>Baseline</b>	<b>Year</b>	2016	<p><b>Yields:</b> Rice (harvest) = 1.07 MT/ha; Maize (hybrid) = 1.49 MT/ha; Beans = 0.65 MT/ha; Cassava = 8.75 MT/ha; and Arabica Coffee = 1.05 MT/ha</p> <p><b>Production:</b> by participating farms in the area are: Rice = 1.49 MT; Maize = 2.00 MT; Beans = 0.31 MT; Cassava = 2.75 MT; and Coffee = 1.13 MT.</p> <p><b>Marketed produce:</b> by participating ACCEs in the project area are: Rice = 1.17 MT; Maize = 1.81 MT; Beans = 0.37 MT; Cassava = 2.75 MT; and Coffee = 1.27 MT</p>
<b>Target</b>	<b>Year 5</b>	2022	<p><b>Yields:</b> of Rice (harvest) = 3.0 MT/ha; Maize (hybrid) = 4.0 MT/ha; Beans = 1.3 MT/ha; Cassava = 20 MT/ha; and Arabica Coffee yield = 1.3 MT/ha</p> <p><b>Production:</b> 50% increase in the production of Rice, Maize, Beans, Cassava and coffee by participating farms in the project area</p> <p><b>Marketed produce:</b> 50% increase in the marketed volume (MT) of Rice, Maize, Beans, Cassava and coffee by participating ACCEs in the project area</p>
<b>Outcome</b>		<b>Increased adoption of climate resilient agricultural practices</b>	
<b>Outcome indicator</b>		1.1	Area under Climate Smart Agriculture (CSA) practices measured in hectares

			1.2	Number of water resources (wetlands and charcos/Check dams) and smallholder irrigation infrastructure managed and rehabilitated
			1.3	Reduced greenhouse emissions measured in Kgs and amount of carbon sequestered
			1.4	Number of people benefiting from improved climate adaptation and resilience as a result of the activity
<b>Baseline</b>	<b>Year</b>	2020	1.1	0
			1.2	0
			1.3	TBD
			1.4	0
<b>Target</b>	<b>Year 4</b>	2021	1.1	10,800 additional hectares under CSA practices
			1.2	4
			1.3	TBD
			1.4	18,000 additional people benefiting of improved climate adaptation and resilience as a result of the activity
<b>Target</b>	<b>Year 5</b>	2022	1.1	16,200 additional hectares under CSA practices
			1.2	8
			1.3	TBD
			1.4	27,000 additional people benefiting of improved climate adaptation and resilience as a result of the activity
<b>Output 1</b>	<b>Sustainable land management (SLM) structures and practices promoted</b>			
<b>Output indicator</b>	1.1 Cumulative Hectares of terraces established			
	1.2 Cumulative Km of contour bands constructed			
	1.3 Cumulative Hectares of agroforestry established			
	1.4 Cumulative Hectares of woodlots planted			
	1.5 Cumulative Hectares under minimum tillage			
	1.6 Cumulative Workdays created in short term employment in the subprojects			
<b>Baseline</b>	<b>Year</b>	2020	1.1	0
			1.2	0
			1.3	0
			1.4	0
			1.5	0
			1.6	0
<b>Target</b>	<b>Year 4</b>	2021	1.1	600
			1.2	650
			1.3	900
			1.4	400
			1.5	2100
			1.6	167,400
<b>Target</b>	<b>Year 5</b>	2022	1.1	600
			1.2	700
			1.3	1200
			1.4	400
			1.5	3000

			1.6	197,000
<b>Output 2</b>		<b>Smallholder irrigation infrastructure assets repaired and maintained and rural farm access roads constructed</b>		
<b>Output indicator</b>		2.1	Number of user level community structures established for maintenance of smallholder irrigation infrastructure assets and farm access roads	
		2.2	Number of farmers benefiting from repaired smallholder irrigation infrastructure assets and rehabilitated farm access roads (disaggregated by age and gender)	
		2.3	Number of irrigation infrastructure assets repaired	
		2.4	Number of kms farm access roads rehabilitated	
		2.5	Cumulative workdays created in short-term employment in the sub-projects	
<b>Baseline</b>	<b>Year</b>	2020	2.1	0
			2.2	0
			2.3	0
			2.4	0
			2.5	0
<b>Target</b>	<b>Year 4</b>	2021	2.1	4
			2.2	400
			2.3	4
			2.4	20
			2.5	75,000
<b>Target</b>	<b>Year 5</b>	2022	2.1	8
			2.2	800
			2.3	8
			2.4	30
			2.5	130,000
<b>Output 3</b>		<b>On farm production intensified through use of improved inputs complemented with good agricultural practices</b>		
<b>Output indicator</b>		3.1	Number of beneficiaries of the eVoucher programme (disaggregated by age and gender)	
		3.2	Area under improved technology (seeds, fertilizer, CSA, etc.) Hectare (Ha)	
<b>Baseline</b>	<b>Year</b>	2020	3.1	0
			3.2	0
<b>Target</b>	<b>Year 4</b>	2021	3.1	18,000
			3.2	10,800
<b>Target</b>	<b>Year 5</b>	2022	3.1	27,000
			3.2	16,200

## Annex 4: Budget details

Activity	Budget in million DKK per year					
	2021		2022		Total	Percentage of DK contribution
	IDA/GoU	Denmark	IDA/GoU	Denmark		
<b>A. RECIPIENT EXECUTED ACTIVITIES</b>	<b>21,164,021</b>	<b>24,126,984</b>	<b>10,582,011</b>	<b>12,063,492</b>	<b>67,936,508</b>	<b>90.5</b>
Output 1: Support to increase adoption of Sustainable Land Management Practices	1,693,122	8,465,608	846,561	4,232,804	15,238,095	31.7
Output 2: Support to repair & maintenance the irrigation infrastructure & Rural farm access roads	-	4,232,804	-	2,116,402	6,349,206	15.9
Output 3: Support boosting farmers participation in the e-Voucher	19,047,619	10,582,011	9,523,810	5,291,005	44,444,444	39.7
Monitoring and Evaluation	423,280	846,561	211,640	423,280	1,904,762	3.2
<b>B. BANK EXECUTED ACTIVITIES</b>	-	465,608	-	232,804	698,413	1.7
ASA 1: Assessment of Household- and plot-level impacts of sustainable land management practices in the face of climate variability and change	-	296,296	-	148,148	444,444	1.1
ASA 2: Assessing socio-technical mindsets: Community deliberations on carbon capture and storage (climate change adaptation and mitigation) in the context of poverty and climate change	-	169,312	-	84,656	253,968	0.6
<b>C. ADMINISTRATIVE &amp; MONITORING COSTS</b>	-	<b>2,074,074</b>	-	<b>1,037,037</b>	<b>3,111,111</b>	<b>7.8</b>
Trust Fund management & Administration	-	465,608	-	232,804	698,413	1.7
WB supervision	-	338,624	-	169,312	507,937	1.3
WB admin fee on RETF (5%)	-	1,269,841	-	634,921	1,904,762	4.8
<b>TOTAL BUDGET</b>	<b>21,164,021</b>	<b>26,666,667</b>	<b>10,582,011</b>	<b>13,333,333</b>	<b>71,746,032</b>	<b>100.0</b>

## Budget Notes/Assumptions

### Output 1:

- Cost estimates for establishment of SLM structures cover materials (70%) and LIPW (30%)

### Output 2:

- Repair and maintenance of smallholder irrigation infrastructure
- Rehabilitation of rural farm access roads

Execution of works through LIPW includes materials and light equipment

### Output 3:

- Assumed total number of groups 1,500 and each group has 30 members
- Assumed contribution for each member towards the revolving fund is DKK 315
- Matching fund administration is estimated at 0.025% of the fund.

## Annex 5: Risk Management Matrix

### 1. Contextual Risks for CCAAU

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
The emergence of the petroleum sector poses the risk of worsening the terms of trade for the agriculture sector (Dutch disease)	Likely	Minor	The ACDP is designed to enhance productivity, production and regional marketing, which mitigates against the risk of the worsening of the terms of trade.	The emergence of a petroleum sector provides both opportunities and risks for agriculture. In the short term, the development of the oil industry has stimulated substantial employment and new demand for food commodities in the districts involved. Together with the more general impact of the emergence of the oil sector on GDP, these developments pose important opportunities for growth in demand for agricultural produce. However, the potential for “Dutch disease” worsening of the terms of trade for agriculture could also bring strong challenges to the sector. Under such conditions, enhancements to productivity in the sector that ACDP can deliver will be doubly important.
Climate change impacts (extreme conditions, drought, floods, etc.) are increasing and worsening	Likely	Medium	Rapid adaptation of resilience projects will alleviate or reduce additional impacts.  The focus of the Project around management of natural resources (agriculture and water) through improved sharing and communal participation	Data supports probability of worsening cumulative impacts from season to season.  Research confirms that in poor countries like Uganda, women and children suffer disproportionately from such risks.

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
			however, has the potential to reduce impact of contextual risks from major to medium.	
The COVID-19 pandemic response measures could reduce agricultural activities , agricultural outputs and marketing	Likely	Major	As part of the COVID-19 response and to mitigate weather related effects, the project will : (1) enhance adoption of sustainable land management practices (SLM); (2) sustainable management of water for irrigation by employing labour intensive public works approaches to flood control, land preparation and SLM; (3) fixing road chokes like bridges and roads destroyed by water and rains and; (4) boost farmers participation in the eVoucher and access to inputs through support to Village Revolving Fund in targeted rural communities and re-purposing existing subsidies.	The COVID-19 lockdown and the attendant social distancing and limitation of public transport have curtailed farmers' ability to access markets for their produce. The closure of rural markets and travel movements have eroded savings and limited income from marketed produce. Participation of farmers in the eVouchers will be greatly affected as farmers will not be able to meet their 33% contribution.

## 2. Programmatic Risks

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
Project partners do not deliver expected results.	Unlikely	Major	<p>Reporting deadlines has been incorporated in project documents with close follow-up by MAAIF and adequate facilitation of district fiduciary staff to ensure compliance and address weaknesses identified in the audit reports. Staffing gaps has been addressed by recruitment of a project accountant at MAAIF and also recruitment/filling vacant positions of Chief Finance Officers and Head Of internal Audit at district level. MAAIF has engage other ministries' (MoWT and MWE) support in infrastructure development from the planning to the implementation and supervision stages</p>	<p>Entity Level- The Auditor General's reports of June 30, 2013 for MAAIF and 18 districts were unqualified, with weaknesses and accountability challenges that need to be addressed. Twenty-two districts had qualified reports, with material weaknesses that need to be addressed. FM weaknesses were noted in the ongoing EAAPP by the FM Supervision. Major weaknesses were noted during an in-depth audit of ATAAS, mainly due to implementation of activities outside the work plan.</p> <p>Delays may be experienced in submission of reports by the districts as noted in ongoing Bank-financed projects. Shortage of fiduciary and technical staff at MAAIF and districts may affect project implementation especially accounting, reporting, and infrastructure development supervision.</p> <p>The likelihood of this risk is assessed to be unlikely, but if the risk should materialize, it would naturally have a major impact on the ACDP.</p>
			<p>LG capacity on infrastructure development will be complemented by the MoWT in addition to consultants to be</p>	<p>Project Level- Forty-one districts and several sub counties will implement the project. Capacity constraints exist at the</p>



Risk Factor	Likelihood	Impact	Risk response	Background to assessment
			<p>hired to offer support and capacity building.</p> <p>Project identification process will be inclusive, with a bottom-up approach with all stakeholders on board.</p>	<p>LG level in managing infrastructure projects. Delays in project completion and variations and no adherence to contract conditions are a risk. The risk of poor-quality works and premature failure on works also exists. There is a risk of duplication of other infrastructure development programs already being implemented by the GoU and DPs.</p>
<p>Heavy and growing public provision of free agricultural inputs directly to farmers (by NAADS could crowd out interest in the ACDP e-Voucher scheme and hinders development of a private sector input distribution system</p> <p><i>This is also considered an institutional risk!</i></p>	Likely	Major	<p>This risk will be addressed by ensuring that no overlap exists between the ongoing NAADS input distribution and the eVoucher scheme. The project will introduce an alternative way of supporting the expanded use of purchased inputs – i.e. the input voucher scheme. This scheme will not undermine advisory services (since it will be managed through a separate institutional structure). Further, it will not be structured in a way that will undermine development of the private sector input distribution system – to the contrary, it will rely on (and in this sense support the development of) the private sector distribution system.</p> <p>This risk is largely outside the direct influence of the ACDP Management or RDE, but the Minister of Agriculture have stated that OWC will not be</p>	<p>First, a heavy and growing level of investment in public provision of Agricultural inputs directly to farmers has been instituted in recent years through NAADS. This practice is nearing the level of US\$100 million per year. It is problematic in that if continued in the ACDP clusters, it could crowd out interest in the eVoucher scheme.</p> <p>The GoUs programme Operation Wealth Creation (OWC), is largely a facility to distribute handouts as a political tool. If OWC will be implemented in same districts as ACDP, e.g. as a political tool to attract voters, it can crowd out farmer willingness to participate and provide self-payment. But, free input is not accessible to all and many farmers will prefer and invest in quality inputs for better output.</p>

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
			<p>implemented in districts with ACDP. Furthermore, MAAIF have decided to expand their contribution to eVoucher in 10 additional districts – outside the ACDP, indicating GoU interest in the approach.</p> <p>DP participation in the ACDP Steering committee, provides for direct dialogue with the GoU.</p>	

### 3. Institutional Risk

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
Weaknesses in government PFM systems.	Likely	Major	Weaknesses in accounting capacity, budget classification, payroll rules, and procurement compliance are being mitigated under a government PFM reform program under FINMAP. A high-level matrix agreed between DPs and GoU is being implemented to address the governance issues.	The 2012 PEFA report identified weaknesses in government PFM systems. Enforcement of procurement rules is still weak. Governance issues including the scandals in the OPM and Public Service Ministry still present a major challenge. 2013 audit report identified major weaknesses in FM across government departments.
			Reporting deadlines has been incorporated in project documents with close follow-up by MAAIF and adequate facilitation of district fiduciary staff to ensure compliance and address weaknesses identified in the audit reports. Staffing gaps has been addressed by recruitment of a project accountant at MAAIF and also	Entity Level- The Auditor General's reports of June 30, 2013 for MAAIF and 18 districts were unqualified, with weaknesses and accountability challenges that need to be addressed. Twenty-two districts had qualified reports, with material weaknesses that need to be addressed. FM weaknesses were noted in

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
			recruitment/filling vacant positions of Chief Finance Officers and Head Of internal Audit at district level. MAAIF has engaged other ministries' (MoWT and MWE) support in infrastructure development from the planning to the implementation and supervision.	the ongoing EAAPP by the FM Supervision. Major weaknesses were noted during an in-depth audit of ATAAS, mainly due to implementation of activities outside the work plan. Delays may be experienced in submission of reports by the districts as noted in ongoing Bank-financed projects. Shortage of fiduciary and technical staff at MAAIF and districts may affect project implementation especially accounting, reporting, and infrastructure development supervision.
Heavy and growing public provision of free agricultural inputs directly to farmers (by NAADS could crowd out interest in the ACDP e-Voucher scheme and hinders development of a private sector input distribution system*  <i>Also considered a programmatic risk*</i>	Likely	Major	<i>Please see Programmatic risk for details*</i>	<i>Please see Programmatic risk for details*</i>
Governance and corruption: Danida is associated with a	Likely	Major	These risks are mitigated in several ways. A PCU is established within MAAIF to manage project implementation.	MAAIF will take primary responsibility for the implementation of the proposed project. MAAIF is significantly

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
potential major corruption case within the ACDP.			Substantial capacity within the PCU has been established to enable it to manage implementation successfully. Substantial capacity building is being provided to producer organizations and other local groups involved in the project to ensure that each plays its role effectively. Further, a number of important implementation roles has been sourced from private sector. All of these measures will help to mitigate risks associated with the capacity constraints inherent in MAAIF itself.	understaffed (according to the recent institutional assessment) and due to this and related capacity constraints it has typically struggled to implement important aspects of its mandate. The implementation of the proposed project, with its holistic and relatively complex structure, will pose a significant challenge to MAAIF – and the implementation risks are for this reason judged to be relatively high.
<b>Other risks:</b> Unpredictable policy environment	Unlikely	Major	The ownership of the ACDP was strengthened and consolidated through a large number of informative and consultative workshops during project preparation. The national level workshops included all senior representatives and officers involved in the sector including, associated Ministers, Parliamentary Committee on Agriculture, MAAIF senior officials and key national stakeholders. Similar preparatory workshops were held at the respective clusters, combining the districts. Governance and corruption: Uganda has been experiencing abuse of resources in a number of projects due to poor governance and corruption. While	Policy environment: In the past, MAAIF has been susceptible to unexpected and sudden changes of both policy and operational guidelines, which has been a serious impediment for effective action. MAAIF was very successful in 2012, in putting together a comprehensive plan to operationalize the Agricultural Sector DSIP. As a direct consequence, there is a strong ownership of the ACDP, which was formulated to operationalize some of the objectives of the DSIP.

		<p>the government, with support of development partners, is putting in place several measures, a clear GAC action plan has been prepared for the project. Private sector and producer participation: As the project is not based on free handouts, the economic incentives and regulations has been gauged accordingly to ensure the economic participation of producers and the private sector in a healthy manner. Project design supports sharing of proper information, cluster coordination, and a more appropriate regulatory environment.</p>	
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## **Annex 6: List of supplementary material**

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## Annex 7 Communication Plan

What? (the message)	When? (the timing)	How? (the mechanism)	Audience(s)	Responsible
Denmark supports Green Growth and improvement of resilience to climate change by small holder farmers in Uganda	After signing the partnership agreement between RDE and WB; Could be linked to a ACDP event in a district	Social media, TV and print media in Uganda	Ugandan population, Government of Uganda, Danish population	RDE, WB and MAAIF
Information on individual projects (specified in terms of geography and output) including information on Danish support to provide access to water for production	After implementation of SLM technology or adoption of SLM practise / After completion of LIPW in irrigation / After farmer group has participated and embraced eVoucher	Social media, TV and print media in Uganda	Ugandan population, particularly smallholder farmers, and Government of Uganda	RDE
Presentation of results of the project upon release of annual reports	Annually upon release of annual progress report and presentation to NPSC	Social media, TV and print media in Uganda  Through NPSC meeting	Ugandan population, particularly smallholder farmers, and Government of Uganda	RDE, WB and MAAIF
Presentation of results of the project at the end of Danish support/end of project	When project is ended or when Danish support ends and results have been presented to NPSC	Social media, TV and print media in Uganda  Through NPSC meeting	Ugandan population, particularly smallholder farmers, and Government of Uganda, Danish population	RDE, WB and MAAIF



## Annex 8: Process Action Plan for implementation

Timeline	Activity	Documentation	Responsible
August	Preparation of Concept Note	Concept Note	RDE Kampala
2 September	Concept Note forwarded to ELK For public hearing	Concept Note	RDE Kampala
18 September	Programme Committee meeting	Concept Note	RDE Kampala
02-30 September	Formulation of Project Document	Project Document	RDE Kampala
1 October	Project Document forwarded to ELK for appraisal	Final draft	RDE Kampala
1-10 October	Appraisal	Appraisal note	ELK
13 October	Project Document and appropriation cover forwarded to ELK	Final Project Document and appropriation cover	RDE Kampala
29 October	Council for Development Policy	Minutes of meeting	ELK
Early November	Presentation of project proposal to the Minister for Development Cooperation	Approval	ELK
End November	Signing of Agreement with WB	Legally binding agreement	RDE Kampala
January 2021	Disbursement of grant	Receipt	RDE Kampala

## Annex 9: Signed Summary of Recommendations of Appraisal

### ANNEX 3: SUMMARY OF APPRAISAL RECOMMENDATIONS

<b>Title of Development Engagement</b>	Climate Change Adaptation in Agriculture in Uganda (CCAAU)
<b>File number/F2 reference</b>	2020-31760
<b>Appraisal report date</b>	13 October 2020
<b>Council for Development Policy meeting date</b>	29 October 2020
<p><b>Summary of recommendations not followed</b></p> <p>The Desk Appraisal provides a number of “Observation Points”, which the RDE should learn from, internalise, and take into consideration in the upcoming partnership. This is a very helpful approach. Some of these “Observation Points” are – almost by definition - challenges that were envisaged from the outset, i.e. issues that will have to be monitored, but which may not necessarily imply changes in the design. The approach to handle these are by clarifying the modalities of supervision and follow-up as well as the exchange of lessons and good practices with other projects and interventions.</p> <p>All recommendations are accepted and through clarification, we have tried to address all. A number of the recommendations will be addressed in the PD, but some will also only be addressed during implementation.</p>	
<p><b>Overall conclusion of the appraisal of the development engagement</b></p> <p>(i) The CCAU is highly relevant given the agriculture sector’s role as the main driver of the economy and the looming threats to it from climate change. The need for an improved adoption of Climate Smart Agriculture (CSA) is very pressing.</p> <p>(ii) The willingness to engage with GoU on these key issues is necessary and welcome. A project pursuing systemic change, or agricultural transformation, requires active government commitment and this has to be cultivated. While the Ministry of Agriculture (MAAIF) may be the obvious place to anchor a programme, an active contribution from the Ministry of Finance would bring leverage and dividends and should be sought.</p> <p>(iii) The proposed CCAAU activities have a very wide remit. This extensive reach risks diminishing genuine impact. The Appraisal suggests that, if the ‘greening’ of Agriculture Cluster Development Project (ACDP) is to be key driver of the project, impact will be improved if project activities are focused to this end.</p> <p>(iv) Once the higher goals are clearly agreed, the Theory of Change need to be more plainly formulated. On top of that, the preliminary results framework needs to be completed, including baseline data and an assessment of what MAAIF’s M&amp;E department can realistically deliver.</p> <p>(v) The efficacy of the various CSA technologies is far from clear. The evidence for assuming they will work, or bring impact, should be produced and interrogated.</p> <p>(vi) The supervision mechanisms for CCAAU are insufficient. Both key partners – the World Bank and MAAIF - are judged to have transparency issues. The Embassy should provide active input on the special Danida interests and insist on a position on the supervisory progress missions.</p> <p>(vii) Danida has gained valuable experience in the area of CSA from the Northern Uganda Resilience Initiative project (NURI). Active mechanisms need to be established to capture the knowledge emerging and to share it with ACDP and MAAIF.</p> <p>(viii) In the same vein, CCAAU should follow the NURI lead and take a sceptical position on irrigation projects, certainly publicly funded ones.</p> <p>(ix) Some further security may be established by working directly with other donors, several of whom are making a renewed effort to engage with the systemic change agenda in agriculture (not only the World Bank, but USAID the Netherlands, IFAD, GTZ, and the UK).</p>	

Recommendations by the appraisal team	Follow up by Kampala
<p># 1 The idea of engaging with GoU to support CSA uptake in Uganda should be pursued: it is an appropriate and suitable way forward.</p>	<p>The Embassy agrees, and acknowledges the importance of continuously cultivating the government's commitment to pursue agricultural transformation.</p> <p>From the outset of the formulation of the CCAAU, MAAIF has been included in the process, at technical level as well as senior management level, including PS MAAIF and the Commissioner Planning. MoFPED will be involved at the time of signing the agreement.</p> <p>The support to the ACDP through a cooperation with the World Bank is a reflection of that.</p>
<p># 2 The PD should be focused more clearly on the greening activities, with the ToC emphasising this. By being clear about this, there should be a better chance of sustained impact.</p>	<p>The embassy appreciates the comment and agrees with a further underlining of the green ambition in the PD. In doing this, it is important to stress the dual objective of "greening" and Post COVID economic recovery. Given the enormous scope of the ACDP, it targets a variety of different types of farmers (large scale and small holders). The "greening" elements in Danida's support will largely be constituted by a focus on increased resilience to climate and social shocks for smallholder farmers through focus on SLM and WRM. This will be further clarified in the PD, just as the inherent link to the resilience lessons under NURI will be reflected stronger and collaboration with MWE on WRM activities will be sought.</p>

<p># 3 To complicate matters, the ACDP hinges on an e-Voucher scheme to induce farmers to buy more (subsidised) agricultural inputs, this being assumed to be a route to a “rise in farm productivity, production, and marketable volumes”. The assumptions implicit in this are fraught with risk and should be revisited and serious consideration given to addressing how to deliver impact in a context of significant uncertainty.</p>	<p>The AT highlights the risks of GoU to fall back to the distorting practices of OWC of providing free/ subsidised inputs, also in the districts of the ACDP. This is a risk. However, systemic change, or agricultural transformation, requires active government commitment and this has to be cultivated, partly through collaboration. The Post COVID situation may offer an opportunity for the dialogue about this to become more constructive, both between DPs and GOU as well as from the constructive side of MAAIF. The agreement reached with MAAIF reassured by PS that free inputs should not be provided in the districts of ACDP, constitutes an element in this.</p> <p>In addressing this, the AT furthermore recommends the RDE to establish appropriate safeguards, and to highlight and further clarify the value added brought about to ACDP through the Danida engagement. The RDE notes, that the partnership with the World Bank does follow the format of a Danida – WB arrangement, with a high degree of hands-off in day-to-day management. This is inevitable and a precondition in our multilateral work</p> <p>Still, the RDE acknowledges the importance of a close dialogue and one element in this is to ensure that sufficient resources are available for the RDEs management and oversight of the partnership. This will include RDE participation in relevant sessions and missions, integrating real interaction between NURI staff and the CCAAU, as well as accessing external assistance where it is deemed relevant.</p> <p>Finally, the RDE has tightened the presentation of the assumptions in the final PD.</p>
<p># 4 Explore the evidence for assuming the CSA activities will bring impact</p>	<p>We will use documentation and results achieved under NURI to guide the CSA activities supported.</p> <p>Data collection and analyses within MAAIF M&amp;E is still questionable. However, under ACDP the M&amp;E unit of MAAIF has been strengthened through training. Furthermore the M&amp;E of PCU has been strengthened by employing two assistant M&amp;E officers to ensure better reporting on progress.</p> <p>Through dialogue, we will seek to influence ACDP to let results achieved and documented impact guide the prioritization of activities.</p>



<p># 5 Develop a better connection with existing CSA activities like those at NURI as well as with other donors working in the same CSA environment</p>	<p>Both NURI and CCAAU work towards promoting CSA practices to boost productivity production and increase marketable volumes. During the implementation of the CCAAU, active mechanisms will be established how to capture the knowledge developed in NURI, and then share it with ACDP and MAAIF. This includes the participation of key NURI staff in part of the RDE monitoring activities as well as by ensuring that lessons are shared through organized biannual review workshops.</p> <p>The RDE will be working directly with other donors also working with the systemic change agenda (e.g. USAID, the Netherlands, EU, FAO, IFAD, GTZ, UK). This includes increased participation in consultation and coordination through Agriculture Development Partner Group and Agricultural Sector Working Group, and where possible also by joint formulation and monitoring missions.</p>
<p># 6 Follow the NURI lead and take a sceptical position on irrigation projects</p>	<p>We accept the notion of investigating irrigation as part of an IWRM strategy, which includes consideration of demand and supply as the climate changes. This will include focus on small scale irrigation and water harvesting for small holder farmers and efficiency measures in existing irrigation as well as integrating rural infrastructure in design. Results, documentation and lessons learned from NURI will be guiding the selection of activities and implementation. The PD will be updated to reflect this and Danida will work with WB and MAAIF to adopt this approach in activities supported under CCAAU.</p>
<p># 7 Ensure continuous progress monitoring against the five DAC criteria</p>	<p>The embassy will monitor along all five criteria in the regular monitoring, by ensuring that reporting from the project includes appropriate indicators. RDE will seek to participate in relevant sessions and missions ensuring the progress monitoring.</p>
<p># 8 Provide active input into supervision processes on these special Danida interests. Without this there is a risk of project performance slipping away.</p>	<p>The support is provided as an earmarked contribution to the WB, and as such, quality assurance follows the procedures of the multilateral partner. Still, the RDE will actively pursue a prudent and engaged monitoring, while allowing for sufficient space for the partners to operate.</p> <p>The embassy management will have regular consultations with senior representatives of the World Bank and MAAIF which will allow for frank discussions on the importance of rigour and capacity of programme M&amp;E performance. This will further include input to ToRs and Specifications for reviews, audits, etc. Annual and semi-annual report will be provided to the Joint Advisory Committee under the MDTF in which Danida will be part.</p> <p>The AM of the MTR is not yet approved. Once approved and shared recommendations will be used to guide implementation.</p>

# 9 Insist on a position on the progress missions as well as on any other ad hoc missions that may be mobilised.	We agree that it is necessary for Danida to actively engage in relevant missions. WB has suggested that Danida participates in ISM which has been accepted. WB has further initiated the development of ICT tools to monitor progress on MDTF funded activities.
# 10 Hold frank discussions with the WB and MAAIF as to the rigour and capacity of the MAAIF M&E Unit	<p>The answer to this is closely linked to the answer under #8</p> <p>We recognize that this is a challenge. Agricultural statistics under UBOS has been strengthened in recent years, but the link to M&amp;E of MAAIF is uncertain. This has been questioned by the members of the Ag Development Partners Group and clarity has been sought from MAAIF.</p> <p>Under ACDP the M&amp;E unit of MAAIF has been strengthened through training. Furthermore the M&amp;E of PCU has been strengthened by employing two assistant M&amp;E officers to ensure better reporting on progress.</p>
# 11 Use Danida leverage with the WB to try to find some genuine champions in MoFPED and to try to develop a CSA roadmap with genuine buy-in from key parties	The involvement of MoFPED in influencing the workings of MAAIF, is an important and potentially very strong approach. This goes beyond the de facto influence of Denmark and probably also the World Bank, as it pertains to the internal dynamics of GoU. Given the importance, it is an issue that the RDE and the World Bank should table when relevant in the broader donor coordination work (being it the LDPG, PDG or within the EU in the cooperation of HOCs and HOMs), with a view to debate it with the two ministries.

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in *Copenhagen* on the *13 October 2020*

*Jesper Ravn Hansen*  
Appraisal Team leader/ELQ representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in *Kampala* on the *13 October 2020*  
*N. Petersen*  
Head of Unit/Mission