COUNTRY STRATEGY AND
PROGRAMME EVALUATION

Republic of Uganda

Executive summary

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Independent Office of Evaluation

IFAD
Investing in rural people

Executive summary

A. Background

1. The Independent Office of Evaluation (IOE) conducted a Country Strategy and Programme Evaluation (CSPE) in the Republic of Uganda. This is the second such evaluation in the country with the first country programme evaluation (CPE) published in 2013.

2. The main objectives of this CSPE are to: (i) assess the results and performance of the Country Strategic Opportunities Programme (COSOP) 2013–2018; and (ii) to generate findings and recommendations for the next COSOP and the future partnership between IFAD and the Government of Uganda. This CSPE also reviews the extent to which the recommendations of the 2013 CPE have been followed-up and assesses programme performance.

3. **Country Background.** Uganda's economy has grown strongly in the past 20 years though it has slowed to 5.2 per cent in the past decade, while per capita growth has slowed to 1.6 per cent due to high population growth. Agriculture provides just a quarter of national GDP but employs 72 per cent of the labour force. Imports of processed food and particularly vegetable oil remain high. Poverty has worsened in recent years with a fifth of Ugandans living below the poverty line, and inequality persists particularly in rural areas, the north, amongst women, youth and refugees. Gender equality has improved, but is still subject to deeply entrenched social norms that discriminate against women.

4. Multiple structural challenges constrain agricultural growth including the predominance of smallholder farmers practicing rain-fed, low-yielding agriculture; growing population density; land tenure insecurity; and poor infrastructure. Uganda is consuming its natural resources at an unsustainable rate. Forests, which provide over 90 per cent of the country's energy, and mostly to the poor, are being reduced by over 5 per cent annually – the second highest figure globally. Climate change has resulted in unpredictable rainfall, more pests and diseases, higher temperatures and rising water levels in Lake Victoria.

5. Government policy frameworks over the period sought to transform agriculture into a commercially-viable sector around a set of key value chains. Policy on extension and rural financial services has alternated between supply-driven and demand-driven approaches. Official Development Assistance (ODA) has grown steadily, but as a proportion of GDP it has declined from an average of 14 per cent (2000 – 2008) to 7 per cent (2009 - 2017). Budget support was suspended in 2012 and aid has reverted to project interventions. Non-ODA loans primarily from China have increased substantially in importance.

6. **IFAD.** Uganda's share of IFAD's resource envelope has risen to a point where it now represents 11 per cent of the East and Southern Africa Division's allocation. Under the most recent COSOP, IFAD has three strategic objectives: improved production, market access and access to rural financial services. The nine projects evaluated under this CSPE[2] together received funding commitments of US$1.4 billion of which IFAD loans comprised US$430 million. A sample of regional and global grants was also assessed.

7. The IFAD Country Office has been in place since 2006. The Country Director (CD) post has been located in country only between 2014 and 2018. In mid-2018, the post moved to IFAD's regional hub in Nairobi. Staffing levels and the country programme budget have both declined over the period.

[2] Rural Financial Services Programme (RFSP), District Livelihoods Support Programme (DLSP), Community Agricultural Infrastructure Improvement Programme 1 (CAIIP1), Agricultural Technology and Agribusiness Advisory Services (ATAAS), Vegetable Oil Development Project 2 (VODP2), Project for Financial Inclusion in Rural Areas (PROFIRA), Project for the Restoration of Livelihoods in the Northern Region (PRELNOR), National Oil Palm Project (NOPP), National Oilseeds Project (NOSP).

B. Project portfolio performance

8. **Relevance** of the portfolio is rated as satisfactory. The lending portfolio objectives aligned well with the current and previous COSOPs and with national and sector policy frameworks, especially the focus on regional poverty dimensions in the north and east as well as on value chain approaches. Project designs also aligned well with IFAD’s evolving corporate policies including in rural finance, nutrition, environment and natural resources management/climate change and value chains. The portfolio reflects a tension around delivering on poverty reduction objectives while focusing on a more commercial growth strategy. Yet the shift from a broad and rather scattered engagement to a more focused, geographically contiguous presence has been a positive strategic thrust.

9. The conscious sequencing of projects has proved highly relevant, building on lessons learnt and extending the use of experienced project staff. The limited levels of development partner co-funding have been compensated by growing private sector investment. Overtime there has been increasing complexity and scale of design that has brought higher risk and implementation challenges. In this regard, stronger political economy analysis could have helped to manage underlying pressures within Government systems and the private sector.

10. Targeting has been addressed well through a recognition of regional and district disparities in poverty levels and access to services. Social inclusion and gender mainstreaming approaches have been included with varying strength, using approaches such as household mentoring. However, more specific interventions could have been conceived for youth.

11. **Effectiveness** of the portfolio is rated moderately satisfactory. Improved market access for smallholders has been achieved through provision of community access roads that led to higher farm-gate prices and reduced journey times. Higher road design standards have improved durability, but also caused delays and higher costs. Those affected by CAIIP1 roads benefited from a 40 per cent increased share of market prices while farm gate prices rose by 30 per cent, and journey times reduced by 7 per cent. For DLSP, benefits include a 60 per cent reduction in transport costs. Support for agro-processing and market infrastructure has achieved mixed results in terms of their full operation and use. The portfolio has broadly succeeded in developing and disseminating a variety of technologies through enhanced research capability and building smallholder capacity to adopt them. For example, in VODP2, use of improved seed increased from 17 per cent at baseline to 67 per cent by project end, though this fell short of the target of 90 per cent. Institutional changes in the mechanism for input supply and extension services have, however, caused disruption and led to low production performance and losses and in some instances to elite capture.

12. In rural finance, the microfinance sector has become more effective and responsive through IFAD’s support, and new legislation has improved regulation of the industry. Support for oil palm and oil seed value chains has improved access to markets and strengthened bargaining power. Bulking has enabled farmers to negotiate as a group and receive higher prices, though milling capacity has been underutilized. Finally, farmer productivity has been below expectations, although vegetable oil production exceeded targets

13. Overall, outreach levels are in line with project designs, with five projects equalling or exceeding the revised targets for beneficiaries reached (RFSP, DLSP, CAIIP1, ATAAS, and PROFIRA). The shift away from community development and rural infrastructure towards value chain investments has nevertheless affected the achieved level of outreach. ATAAS, CAIIP1 and RFSP collectively reached around 8 million people, while the later projects (VODP2, PRELNOR, DLSP and PROFIRA) have reached 4 million.

14. Household mentoring and GALS coupled with food security grants have successfully targeted poorer households including those that are women and youth-headed in DLSP and PRELNOR. Although highly effective, the intensity and duration of such approaches have limited their level of coverage.

15. **Efficiency** is rated moderately unsatisfactory. The portfolio's efficiency was enhanced by good overall disbursement levels, sound financial management and positive rates of return. However, efficiency was constrained by several factors. Delays in implementation resulted in project extensions, while lower initial disbursements necessitated large disbursements near completion. Lengthy fiduciary, procurement and contracting processes reduced efficiency, as did periodic vacancies and high staff turnover in several management units. While financial systems were generally satisfactory, there were several instances of ineligible expenditures including in ATAAS, RFSP and PRELNOR.

16. **Rural poverty impact** is rated moderately satisfactory. While there are some questions over the reliability of impact studies, incomes and assets have risen for beneficiaries of the seven projects assessed, in some cases well above targets (CAIIP1, ATAAS, and VODP2). Average annual household incomes have risen from 44 per cent for CAIIP1 to an estimated 226 per cent for ATAAS. These changes have been driven by increased use of improved technologies and greater market access. Targeted communities also show improved food security and income diversification, although reductions in levels of malnutrition are less clear. In rural finance, savings and expenditure have grown while income was not directly measured.

17. While qualitative findings suggest that human and social capital have improved, systematic routine data collection was often missing and the reach of household mentoring methodologies was limited. The capacity of households, with support from community volunteers, has improved in areas such as adult literacy, financial planning and management and increased participation in common interest groups. RFSP for example achieved improvements in education levels and health status for 94 per cent of beneficiaries. Grassroots institutions including production and credit-based groups have been strengthened, while capacity for better service delivery of local Governments and zonal research institutes slightly improved, although broad-scale changes in service delivery are not so evident.

18. IFAD's lending programme for agriculture and integrated rural development has had limited or no influence on policy. The value chains projects have however provided a successful model of public-private-producer partnership (4P) and potential policy impact is seen in the adoption of these approaches in the 3rd National Development Plan. The most significant policy results have been in rural finance in terms of improved regulation and governance.

19. **Sustainability of benefits** is rated moderately satisfactory. In terms of institutions, prospects for the sustainability of farmer organizations appear favourable, particularly where financial viability has been established or strong community ties have been built. Self-sufficiency in the rural finance sector faces challenges from the mixed efficiency of savings and credit organisations, weak apex organisations that are unable to provide ground support, and recent legislative changes. The profitability of the targeted value chains bodes well for the continued viability of smallholder producers. The prospects for maintenance of the higher-grade community access roads are also better than lower-grade roads due to their greater resilience and future access to the Road Fund. Government's commitment to research and extension services has shown improvement, yet a recent expenditure review indicates that there are still grounds for funding uncertainty, while the continued subsidised input distribution programme constrains technical as well as financial sustainability.

20. **Innovation** is rated as moderately unsatisfactory. While the portfolio features a number of innovations in the Ugandan context, most of the examples were inherited from the earlier COSOP period. VODP2 has built on innovative VODP1 features, including most notably the continued development of oil palm as a new perennial crop via a 4P approach. Household mentoring approaches have been continued though their introduction predates the CSPE period. Support for agricultural research has led to a range of technologies being disseminated some of which were innovative in Uganda. There were also a number of missed opportunities to be innovative, in particular the furtherance of demand-led extension reform processes started under NAADS and the use of technology to increase rural finance outreach.

21. **Scaling Up** has been rated as moderately satisfactory. There are some examples of scaling up that have occurred beyond IFAD projects though more could have occurred if stronger knowledge management (KM) efforts to share results and lessons beyond IFAD to its partners had been achieved. Three examples include: the wider adoption of the oil palm nucleus plantation model following VODP1 and 2; the replication of household mentoring and GALS methodologies by non-state actors in Uganda and by other IFAD projects outside Uganda; and the spread of improved agricultural technologies to zonal research stations, private sector actors and farmer groups. Some of IFAD’s non-lending activities have also been a driver for scaling up of innovations, especially grants embedded into projects such as ATAAS and PRELNOR.

22. **Gender equality and women's empowerment (GEWE) and youth** are rated collectively as moderately satisfactory**.** There was a high level of commitment across the portfolio to implement gender interventions in line with IFAD’s Policy on GEWE as well as relevant Ugandan national policies. Indeed, the Uganda programme has been at the forefront of developments in gender transformative approaches. Positive results have occurred in women’s participation as well as access to assets, income generation and leadership roles. However, the interventions largely concentrated on increasing the number of women and fell short in addressing systemic gender constraints and power relations that continue to prevent the empowerment of women. Youth have been mobilised effectively to participate in some projects, yet the earlier projects had no clear strategy for addressing constraints to the involvement of young men and women around labour and land issues.

23. **Natural resource management** is rated as moderately satisfactory. ENRM has been a mostly successful theme for the projects that addressed this topic, especially VODP2, PRELNOR and ATAAS. Major issues such as increasing variability and uneven rainfall, soil fertility decline, deforestation, and encroachment on wetlands have been mitigated through provision of technical and financial support to empower communities. Activities such as terracing and rehabilitation of degraded watersheds have resulted in improved access to natural resources and better community management. Under VODP2, preliminary evidence suggests that deforestation rates have decreased and the main actors have made efforts to ensure sustainable production of oil palm. However, there have been challenges around ongoing projects facing more stringent environmental management requirements and guidelines from both IFAD and the Government, including the designation of more recent projects as Category A, requiring more extensive management plans.

24. **Climate change adaptation** is also rated as moderately satisfactory. Under the IFAD portfolio, several projects targeted climate change adaptation in varying degrees including ATAAS, VODP2, PRELNOR, PROFIRA and DLSP. This has resulted in a number of climate change adaption achievements though mainly at local rather than at national scale or in terms of policy. The sustainable land management practices promoted under ATAAS to avert climatic risks to agricultural production

have been significant, with an estimated sequestration of nearly 2 million tons of carbon with a value of US$151 million. Research activities have led to the production of drought-resistant seed varieties, while development of e-weather systems show promise in providing climate information to farmers. The resilience and durability of community roads has risen by upgrading them to an all-weather design that incorporates reforestation and water harvesting.

C. Assessment of non-lending activities

25. Over the COSOP period, fluctuations in the ICO staffing affected IFAD's capacity to engage in portfolio management and non-lending activities. The main change has been the move of the CD from IFAD headquarters to Kampala in 2014 and then to the regional hub in Nairobi in 2018. Each of the three main strategic areas has been separately managed by different IFAD team members. However, this efficient division of labour limits the knowledge exchange across the programme and lacks an overall country programme approach.

26. **Knowledge Management** is rated as moderately unsatisfactory. The KM strategy was based on drawing learning from projects to feed into policy dialogue, however the strategy lacked a stable architecture and sufficient resources for consistent implementation. A specialist KM officer was in place until 2015, and in this period KM activities were promoted though mainly at project level. Grants linked to projects and sequential project designs have enabled learning from past projects and continued KM practices among project staff, despite a steep decline in KM resources.

27. For most projects, the focus of KM has remained on communication rather than strengthening M&E systems and drawing from them for KM and policy dialogue with Government. Equally, the contribution of grant-funded KM activities varied depending on the strength of their linkages with the lending programme.

28. **Partnerships** is rated as moderately satisfactory. The 2013 COSOP had ambitious aims for building partnerships with Government, private sector, development partners and rural organisations. However, limited staffing in the ICO made partnership building at the country level (beyond projects) challenging. This constrained the building of partnerships over time as regular interactions, including informal meetings, reduced.

29. IFAD has been a respected partner in sector working groups such as the agriculture development partners group. All the same, UN and bilateral partners have limited knowledge of IFAD's work though they recognize its staff as highly knowledgeable. IFAD's Government partnership was mainly cultivated through its lending portfolio, and private and civil society sector partners were also primarily engaged as part of project implementation. IFAD has been less proactive in developing collaboration with donor initiatives in the same geographic area or sector as evidenced by the lack of co-financing in projects designed under the 2013 COSOP.

30. **Country-level policy engagement** is rated as moderately satisfactory. Under the 2013 COSOP, IFAD has primarily pursued a strategy of policy engagement through the lending program with mixed results. Of the four areas outlined for engagement, only one has been satisfactorily achieved around an improved regularity framework for inclusive rural finance, whereas the area relating to extension was not achieved and those relating to supporting rural institutions were partly achieved. Country-level policy engagement based on drawing evidence from projects to inform policy decision-making was evident in the rural finance projects and VODP2. However, capacity building of Government agencies to formulate pro-poor policies and supporting rural organizations to promote their own policy agenda were not apparent.

D. Performance of Partners

31. **IFAD** as a partner is rated moderately satisfactory. IFAD has performed well in evolving the portfolio in line with COSOP aspirations, and in bringing its expertise to key sectors such as value chains and rural finance. IFAD's design approach, while consultative, would have benefited from more analysis of the political and economic context. Supervision has been effective, except with ATAAS where IFAD played a less influential role. This has ensured that projects deliver as expected and are re-designed when needed. The ICO resources are focused on the lending portfolio, particularly on supervision and implementation support. The resources allocated to administer the country programme reflect this, but there has been a declining trend that has limited the capacity to deliver on the non-lending side.

32. **Government** performance is rated as moderately unsatisfactory. The Government has provided active support in the design and implementation of projects. Project management has mostly benefited from high-quality staff especially for transitioned projects. Procurement processes were often slow, while fiduciary performance regarding counterpart funding has been mixed. Although Government transparency and accountability frameworks have gradually evolved, violation of financial rules is still a relatively widespread phenomenon and enforcement weak. Major areas in the IFAD portfolio that have been vulnerable and which have been subject to investigation include financial management, procurement and contracting.

33. Project M&E systems have been of mixed quality in terms of the reliability and completeness of information generated and shared. Many projects failed to conduct baselines, mid-term reviews and end of project assessments within required timeframes. While grant funding has been introduced for extension services and road maintenance, and extension staff recruited, the Government's broad budgetary commitments to the sector and to supporting local government delivery, relative to national spending demands, have not been fully satisfactory over the CSPE period which affected project performance.

E. Country programme strategy performance

34. **Relevance** of the COSOP is rated as moderately satisfactory. The country programme had mixed success in following the 2013 CPE recommendations. Two out of the five recommendations were fully addressed (funding in the north and value chains) while the remaining three show limited and moderate progress (policy dialogue, synergies between projects and analysis of ICO staffing requirements).

35. The 2013 COSOP showed close policy alignment with the Government's policy framework for rural poverty reduction and the agriculture sector as well as with IFAD's global objectives. The COSOP was weaker around defining the fit between lending and non-lending activities, as well as identifying and mitigating risks. The ambition to resource the ICO appropriately to ensure that synergies occurred across the programme was initially appropriate but was not realized for the entire period.

36. **Effectiveness** is rated as moderately satisfactory. For the first Strategic Objective (SO1) to increase production, productivity and climate resilience of smallholder agriculture, the evidence indicates that planted areas and yields show positive gains, partly due to improved growing conditions and because of the legacy from earlier investments prior to this COSOP period. Climate resilience has improved with IFAD lending and non-lending assistance, though impact is modest in the national context. Land tenure reforms have produced limited results.

37. For SO2, the integration of smallholders into the market, agro-processing and market linkages have been strengthened along selected value chains, but most benefits have tended to reach those farmers with the potential to improve their level

of commercial operation. With 7,246 km of community access roads provided across four projects, road outcomes have been positive in terms of improved access. Value chain projects are complex, and while production and incomes have risen, there have been issues around the provision of credit, processing and marketing.

38. Under SO3, strengthened outreach and sustainable access to financial services particularly at community level have been achieved in a difficult policy environment. Some 1.1 million households have benefited from higher savings and credit especially at community level.

39. Despite the above achievements, the country programme approach has been less effective than envisaged. The COSOP expected strong synergies and complementarities between the projects as well as between lending and non-lending. While geographic coherence has improved, this has not led to strong operational linkages. Although the three COSOP strategic objectives have been pursued through good project sequencing, the projects developed under each objective have been operating largely in silos with modest cross-learning. Beyond the projects, greater interaction between the lending and non-lending elements and the ICO could have been achieved.

F. Conclusions

40. IFAD's portfolio has been effectively sequenced around a relevant set of objectives, with recent interventions building on earlier projects. **Greater geographical coherence in the north and east has also reduced inefficiencies while improving poverty targeting**.

41. **The COSOP strategic objectives have been pursued through sequencing rather than a programmatic approach and as a result, the level of interplay and cross-fertilization has been limited.** This is partly due to the adoption of a portfolio approach that entailed meeting each objective through separate strands. Such an approach has also been necessary with a small country team with a declining administrative budget supporting an increasing lending portfolio.

42. **Evolving strategic thinking has seen greater emphasis on value chain approaches rather than on broader community development.** While this has led to a significant rise in private sector co-investment and higher farmer incomes, it has also reduced beneficiary outreach. This has been partly offset by the continued inclusion of access roads, the reach of the rural finance investments, and the number of indirect beneficiaries from value chain activities. Additionally, this move has helped insulate IFAD's investments from the repercussions of unexpected political events and election processes and low capacity in local Government service provision.

43. Agro-processing and market linkages have been strengthened for the selected commodities through IFAD's integrated value chain approach. Reduced transport costs and higher market prices due to improved road access, plus added value through bulking and processing, have contributed to higher household incomes. While there have been implementation delays, **building infrastructure and support services around confirmed market demand has proved a successful approach, together with the extended support made possible by sequencing projects.**

44. Sufficient evidence indicates that **IFAD-funded programmes have contributed alongside other factors to growing productivity and incomes,** although some of these increases derive from the success of past investments and to better weather conditions in recent years. IFAD's investments in rural finance have been effective in terms of outreach, building linkages between local savings and credit groups and service providers, and in terms of regulatory reforms. IFAD's decision to move out of the sector, aligns with Government policy. However, sustainability

now depends on the ability of groups to pay for services, while apex organisations still face challenges.

45. Resilience has been enhanced within the communities reached, but the achievements are modest when set against the climate change challenges facing Uganda. **Climate variability is increasing and its effects may negate IFAD's otherwise positive achievements on the livelihoods of rural poor people if not addressed more significantly going forward**.

46. Non-lending performance has not met the ambitions laid out in the 2013 COSOP. The lack of a documented strategy specifying how non-lending activities would be achieved hampered the direction of the work, while resources earmarked for non-lending activities were insufficient. **The ambitions to deliver policy influence and build partnerships have been limited by the lack of resources in the Country Office and the transfer of the head of office to the sub-regional hub in Nairobi.** IFAD is seen as an active and knowledgeable partner, however the wealth of experience arising from the project portfolio has not been effectively translated into useful knowledge products.

47. Government discharged its obligations in funding and staffing but has been less effective in procurement, financial management and M&E. Overall funding for agriculture has fallen below the Government's international commitments, and support to local Government services has been mainly to support the growth in public extension manpower. **IFAD's projects have faced challenges around governance and corruption issues, which have been exacerbated by weak record keeping and M&E.** M&E systems have advanced in use of technology, but impact measurement remains dogged by delayed studies and weak methodology.

G. Recommendations

48. **Recommendation 1. Expand IFAD's effective value chain approach to other commodities with greater beneficiary outreach potential.** There are opportunities to expand marketing hubs to the entire country and regionally, built around key commodities identified in the NDP3 (e.g., livestock - especially dairy, horticulture and fisheries). IFAD should: (i) identify opportunities for small-scale producers to improve income diversity around production and processing; (ii) enhance access to reliable markets and raise product quality; (iii) expand mechanisms such as the Yield Fund to help build private sector capacity; and (iv) strengthen synergies between the programmes, where relevant and practical.

49. **Recommendation 2. Mainstream climate change more extensively with direct approaches in the new COSOP, given the growing urgency in Uganda.** Climate change has been indirectly addressed in the past COSOPs. IFAD's portfolio going forward contains more category A projects than before. Therefore IFAD should: (i) build into the next COSOP stronger support for SECAP measures, including social and environmental safeguards, as well as the technical expertise to supervise category A projects; (ii) partner with the most appropriate government (Ministry of Environment, Ministry of Works & Transport), non-government and donor partners to undertake climate mitigation and adaptation measures more directly around the supported value chains.

50. **Recommendation 3. Deliver more transformative approaches and interventions tailored to the specific needs of women and youths.** This could be pursued by: (i) including strategies and targets on these aspects in the new COSOP; (ii) mainstreaming and scaling up of proven methods such as GALS and household mentoring; (iii) greater cross-project learning and use of specialised service partners to identify opportunities around constraints such as land and ownership norms; (iv) strengthening PMU staffing to support and monitor the work of service providers; and (v) ensuring ECG provides better and more consistent technical oversight on gender and youths.

51. **Recommendation 4. Develop a non-lending strategy that systematizes KM, partnerships and country policy engagement and provides the necessary resources for its implementation.** In order to foster innovation and scaling up within Uganda, IFAD needs to have a KM system that captures project experiences and innovations so that they can be shared with partners and also used as evidence for policy engagement. This requires: a documented strategy, and a stronger country presence that includes the Country Director in Uganda. IFAD's decentralized model also requires greater coordination within IFAD. Therefore, relevant divisions (RIA, ECG, and PMI) should be more involved in the KM process to support non-lending aims by leveraging financial and human resources from IFAD headquarters as well as the regional hub in Nairobi.

52. **Recommendation 5. Strengthen M&E, reporting and financial management to bolster governance and anti-corruption measures and improve the assessment of results, especially at impact level.** Relevant IFAD divisions should ensure risk mitigation around procurement, staff advances and related areas of financial management. In order to take a programmatic approach and to leverage IFAD's full capacities and resources, the ICO requires a KM/M&E officer who can: i) strengthen M&E systems in projects to ensure timely reporting and better documentation that will underpin improved governance and anti-corruption measures; ii) aggregate results across the portfolio (for lending and non-lending) and share them with government and other partners; iii) capture resources at regional/global levels (e.g. grants) for capacity development; iv) support stronger design and analysis of impact studies to improve their statistical accuracy and delivery of more robust results as well as include impacts on reducing malnutrition; v) extend the use of new monitoring methods, improving use of web-based systems, drone monitoring etc.).