

The Republic of Uganda



**VALUE FOR MONEY AUDIT REPORT
ON THE MANAGEMENT OF THE
FARM INCOME ENHANCEMENT AND FOREST
CONSERVATION PROJECT
IMPLEMENTED BY
THE MINISTRY OF WATER AND ENVIRONMENT
AND THE MINISTRY OF AGRICULTURE, ANIMAL
INDUSTRY AND FISHERIES**



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LIST OF ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AFO	Assistant Forestry Officer
AWP&B	Annual Work Plan and Budget
CAO	Chief Administrative Officer
DAO	District Agricultural Officer
DE	District Entomologist
DFO	District Forestry Officers
DTST	District Technical Support Team
FG	Forest Guard
FIEFOC	Farm Income Enhancement and Forest Conservation
FR	Forest Ranger
GNI	Gross National Income
GoU	Government of Uganda
Ha	Hectare
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
Kms	Kilometers
LFR	Local Forest Reserve
M&E	Monitoring and Evaluation
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MGLSD	Ministry of Gender Labour and Social Development
MoFPED	Ministry of Finance Planning and Economic Development
MSI	Medium Scale Irrigation
Mt	Metric tons
MTTI	Ministry of Tourism Trade and Industry
MWE	Ministry of Water and Environment
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organisation
NDF	Nordic Development Fund
NEMA	National Environment Management Authority
NFA	National Forestry Authority

NGO's	Non Governmental Organisations
NPC	National Project Coordinator
NPCU	National Project Coordination Unit
NUSAF	Northern Uganda Social Action Fund
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PIUs	Project Implementation Units
PMA	Plan for Modernisation of Agriculture
PPDA	Public Procurement and Disposal of Public Assets Act
PSs	Permanent Secretaries
PSC	Project Steering Committee
PY	Project Year
SFM	Soil Fertility Management
SSI	Small Scale Irrigation
STST	Sub-County Technical Support Team
UA	Unit of Account
UNFEE	Uganda National Farmers Federation
US\$	United States Dollars
USh	Uganda Shillings
UWA	Uganda Wildlife Authority
VFM	Value For Money

EXECUTIVE SUMMARY

BACKGROUND

The Ministry of Water and Environment (MWE) and the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) being coordinated by the National Project Coordination Unit (NPCU) are responsible for the implementation of the Farm Income Enhancement and Forest Conservation (FIEFOC) project. FIEFOC aims at contributing to reducing poverty, increasing agricultural growth rates, diversifying agricultural production and expanding non-farm employment without jeopardizing the stability of the agricultural ecosystem.

The project is being funded by African Development Fund (ADF), Nordic Development Fund (NDF) and co-funded by the Government of Uganda (GoU). By June 2010 funding of Uganda Shs 59 billion (equivalent to Unit of account (UA) 21 million), had been received by the project, representing 41% of the total project funding.

The project which was to initially run for five years from January 2005 to December 2010, delayed to start which necessitated management seeking an extension to December 2012, which was granted.

The rate of funds absorption is low and may lead to payment of avoidable commitment charges by Government on undisbursed funds and delays in attainment of project intended objectives.

It is against this background that an independent assessment of the management of the project in the Ministries of Water and Environment (MWE); Agriculture Animal Industry and Fisheries (MAAIF) and the National Project Coordinating Unit (NPCU) was undertaken.

AUDIT SCOPE

The study was carried out in two ministries of Water and Environment (MWE) and Agriculture, Animal Industry and Fisheries (MAAIF), where interactions with the managers of the project components of Forest Support, Agricultural Enterprise Development and National Project Coordination Unit (NPCU) were held.

The study further involved visiting twelve (12) out of 36 project districts selected from four regions in the country.

The study also covered four financial years from 2006/07 to 2009/2010.

AUDIT FINDINGS

The following audit findings were noted:-

Project feasibility Study and Design

It was noted that there were no feasibility study reports prepared. Feasibility studies could have identified critical success factors, risks and possible solutions. Risks like land ownership, high land preparation and maintenance costs were not identified and therefore no mitigation measures were put in place. This has led to the majority of the rural poor not participating in tree planting.

Targeted Beneficiaries

It was observed that the rural poor were participating and benefiting from apiculture whereas in tree planting and community watershed management sub-components, it was mostly the well to do who were participating in the project. This may render the project unable to fully achieve its objective of improving the incomes and livelihood of the rural poor.

Planning at the Districts

- It was established that districts prepared their Annual Work plans and Budgets (AWP&Bs) in line with the indicative planning figures but delayed by an average of two and a half (2½) months. This affects the timely implementation of activities.
- The AWP&Bs were not prepared by Sub-counties themselves, but by the districts on their behalf. The minimal involvement of the sub-county technical committee in the planning process of the project affects proper identification of sub county priority needs.

Planning at the Project Implementation Unit and National Project Coordination Unit

The Project Implementation Units (PIUs) and National Project Coordination Unit (NPCU) consolidated the AWP&Bs but the dates of their submission could not be ascertained. Management however stated that there were delays in the submissions to both the NPCU and the Bank/Fund thereby delaying the release of annual funds.

Project Grant and Loan performance

The project had received loans and grants totaling Shs. 57 billion (UA 20,439,560) out of the expected Shs. 111 billion, representing 51% performance by Project Year (PY) 4. The rate of grant and loan performance of the project if not addressed may lead to poor overall project performance and the targeted results not being attained by 31st December 2012.

Counterpart funding

- By June 2010, GoU had remitted only Shs. 2.8 billion of the expected disbursement of Shs. 12 billion by PY4 representing 24% performance level. This performance however does not include salaries to designated officers. Failure by GoU to remit counterpart funds as expected created a funding gap leading to over reliance on donor funds to finance project activities.
- Beneficiaries for treadle pumps did not contribute any money towards the procurement of treadle pumps and therefore did not benefit from Small Scale Irrigation.

Release and Utilization of Funds

- It was noted that funds were not released to the project as per approved AWPBs due to the delayed accountability and low funds absorption rates by the project.
- We also noted that despite the low levels of release of funds, even what was availed was not fully utilized by the year end and may affect the attainment of intended project objectives.

Disbursements to Districts

It was noted that disbursements to districts were not made quarterly as stipulated in the financial procedures manual but were made once in most cases and twice in others. This has led to some districts failing to implement planned activities on schedule.

Procurement of agro inputs

- Procurement of agro inputs was centrally undertaken at the PIUs and NPCU, contrary to the requirement to make use of the private sector present in the district. This led to districts being supplied with stressed seedlings from distant areas and which are sometimes supplied in non-planting seasons thus affecting survival rate.
- The project had established 35 sub-county nurseries out of 396 (9%) and 6 community nurseries out of 100 (6%). These nurseries were later discontinued and this deprived the participating farmers of income and skills.
- The cost of seedlings from centralized purchases was noted to be on a higher side compared to the cost of seedlings from NFA and other local suppliers.

Staffing

- All the positions in NPCU and PIU staff structures had been filled.

- The unfilled positions were mostly at the districts and sub-counties. The staffing gaps have affected the delivery of technical services such as giving advice on seedling spacing, weeding and timing of planting.

Participation of Women in the Project

Women participation in community watershed management and tree planting was 20% in each of the sub-components as opposed to the expected 50% and 30% respectively. This has affected their representation and involvement in decision making.

Project deliverables

There were low levels of performance in all project outputs, except in the re-vegetation of degraded watersheds where good performance was attributed to involvement of the well-to-do farmers. The low levels of implementation of project activities may hinder attainment of the overall project objective of improving the incomes and livelihoods of the rural poor.

Restructured Agricultural Enterprise Development Component

- Three sub-components in Agricultural Enterprise Development Component were re-structured in preference to rehabilitation of four (4) medium scale irrigation schemes of Doho, Olweny, Mobuku and Agoro. Shs. 44 billion (UA 15,926,260) was set aside for this purpose.
- Government had spent and committed funds worth Shs 5.9 billion (UA 2,134,800) on the three sub-components by the time of restructuring.

Project Branding

It was noted that FIEFOC project sites in all the twelve districts visited lacked identification signposts. This made it difficult to confirm whether the sites visited during audit were for FIEFOC project and the possibility of being taken to non FIEFOC sites cannot be ruled out.

Monitoring and Evaluation

- The NPCU, MWE PIU and the districts carried out M&E monitoring activities and produced reports. However no monitoring by MAAIF was done.
- There was no evidence of feedback by the NPCU and the MWE PIU to the districts and no follow up of recommendations at all levels and therefore there was no timely corrective measures taken on the deviations from project objectives, plans and outcomes.

- A midterm review was carried out in April 2009 and its recommendation of extending project life had been implemented.

RECOMMENDATIONS

Following our findings, it is recommended that:-

Project feasibility Study and Design

- For future project planning, feasibility studies should be undertaken to determine project viability, identify potential risks and propose practical measures to address them to ensure the realization of project objectives.
- Feasibility study reports should be properly filed for ease of reference.

Project Beneficiaries

- Project implementation should target the intended beneficiaries by following the project design during execution. If the design is found to be impractical, it should be adjusted in line with the objective of the project.
- Sensitization of the intended project beneficiaries about the project objectives and how they will benefit should be emphasized so as to create interest in project participation.

Planning at the Districts

- Sub-Counties should be involved in the planning process as stipulated in the project implementation manual to ensure that the activities selected for implementation meet sub county priority needs.
- Districts should develop capacity to ensure effective participation in the planning process.
- NPCU and PIUs should hold regional planning meetings on time so as to meet stipulated timelines.

Planning at the PIUs and NPCU

- Management should ensure that the planning process right from the Sub-Counties and districts starts in time so that the delays do not spill over to the PIUs and the NPCU. This will ensure timely submission of the AWP&Bs to the Bank and timely release of funds.
- Management should expedite the recruitment of the two officers and in future ensure that requisite staff are recruited before the project is operationalised.

Project Grant and Loan performance

- The restructuring process of the agricultural enterprise development component should be expedited to allow the utilization of funds set aside without further delay.
- In future, donor financial procedures should be fulfilled as agreed to enable timely disbursement of funds.

Counterpart funding

- Government counterpart funding (both cash, salaries and in kind) should in future be properly identified and defined.
- Proper feasibility studies for future projects should be undertaken to ensure that proposed initiatives address the needs of the intended beneficiaries.

Release and Utilization of Funds

Management should urge district leaders to enforce the requirement of timely accountability for funds and should sensitize them on the consequences of non-compliance.

Disbursements to Districts

Management should make timely disbursements to districts which account for funds in order to enable them undertake their planned activities.

Procurement of agro inputs

- Farmers should be empowered to improve their capacity to run and maintain sub-county and community nurseries.
- Centralized purchase of specialized species should be restricted to local suppliers on the prequalified list of the project to avoid transportation of seedlings over long distances.
- The deliveries of seedling to the districts should be synchronized with the district planting seasons to ensure improved survival rates.
- District focal persons should reject poor quality seeds and deliveries in off planting seasons.

Staffing

- For future projects, careful consideration on the manpower requirements should be made at design level in order to ensure smooth implementation of projects and to avoid emergency recruitments.
- The project should fill the vacant staff positions at districts and sub-counties to hasten the implementation of project activities.

Participation of Women in the Project

- Management should enforce the requirement to capture and report on gender participation in all project activities.
- Through sensitization, women should be encouraged to join and participate in the project.

Project deliverables

Protection of Natural Forests from De-forestation

- Management should expedite the process of having the targets under protection of natural forests reviewed to reflect what can be implemented within the remaining project period and harmonize their responsibility with UWA and NFA on the protection of natural forest reserves.
- Management should continue engaging owners of natural forests by sensitizing them on the benefits of opening and protecting forest boundaries.

Establishment of contour hedges

- Management should expedite the process of having the targets reviewed to reflect the actual hilly areas in the project and expedite the establishment of the contour hedges.
- In future, similar projects should be designed based on realistic data to avoid implementation challenges.

Maintenance of forest/farm roads

Management should speed up the maintenance of forest/farm roads which had lagged behind in order to meet the targets by end of the project life in December 2012.

Apiculture Promotion Sub component

Participating bee keeper groups should be sensitized on record keeping and be encouraged to report their outputs to district focal persons.

Re structured Agricultural Enterprise Development Component

- For future projects, stakeholders should ensure that staff to implement projects are available and have the time.
- Thorough feasibility studies should be done prior to project appraisal and design to ensure practicality at all project levels.
- The process of acquiring contractors for the rehabilitation of medium scale schemes should be hastened so as to be on schedule.

Project Branding

Management should expedite the funding of this activity for ease of identification of project sites to enhance accountability and transparency.

Monitoring and Evaluation

Management should enforce the requirement of giving feedback to the districts and following up on the recommendations as required in the M&E manual.

CHAPTER 1
INTRODUCTION

BACKGROUND

1.1 Motivation

Uganda's population is predominantly rural based, with 88% of the citizens living in rural areas. The majority of the rural populace engages in Agriculture for livelihood. Incidence of poverty is highest among the rural food-crop producing category due to their low incomes¹.

The Country's population has also increased over the years leading to a decrease in landholding per household which in turn has led to encroachment on the fragile ecosystems including wetlands, riverbanks, hilly and mountainous areas (NEMA² Report, 2008). The decrease in landholding, coupled with extensive cultivation has caused soil erosion, sedimentation of river systems, loss of water catchment areas and landslides, especially during heavy rains leading to deaths in some parts of the Country, for example the Bududa landslides in February 2010. There have also been continuous floods in Teso region due to destruction of the water catchment areas. The soil erosion has also occasioned decline in farm productivity due to increased soil runoff which has left the farmland bare or degraded.

Uganda is also heavily dependent on wood fuel and 97% (82% firewood and 15% charcoal)³, is generated from existing forests and woodlands. This has led to environmental degradation which is jeopardizing the stability of the agricultural ecosystem. The cost of environmental degradation in Uganda is one of the highest in Africa, estimated to be at 4-12% of potential Gross National Income (GNI)⁴.

Government of Uganda (GoU) with the assistance of the African Development Fund (ADF) and the Nordic Development Fund (NDF) decided to undertake the Farm Income Enhancement and Forest Conservation (FIEFOC) project to mitigate the aforementioned environmental threats. The project specifically aimed at contributing to reducing poverty, increasing agricultural growth rates, diversifying agricultural production, expanding non-farm employment and promoting sustainable

¹ Uganda Population and Housing Census, 2002

² National Environment Management Authority

³ Uganda Population and Housing Census, 2002

⁴ Water and Environment Sector Performance, Report 2009

use and management of natural resources⁵ without jeopardizing the stability of the agricultural ecosystem. The project objectives are in tandem with the goal of the Plan for the Modernisation of Agriculture (PMA) and Poverty Eradication Action Plan (PEAP), which is to reduce poverty.

The project was initially to run for five years from January 2005 to December 2010 but due to the delayed start, an extension of two years was sought and granted on 22nd February 2010 extending the project period to December 2012. Given the slow implementation rate, it is doubtful whether the project will meet its targeted objectives of: reducing poverty, increasing agricultural growth rates, diversifying agricultural production and expanding non-farm employment without jeopardizing the stability of the agricultural ecosystem⁶.

The project has received funds from the Government and development partners to the tune of Uganda Shillings 59 billion over a period of four years (2006/07-2009/10). According to the project Quarterly report April - June 2010, this is equivalent to UA 21 million⁷, representing 41% of the total project funding. The rate of funds absorption is, however, low and may lead to delayed attainment of project targeted objectives. This may also lead to payment of avoidable commitment charges by Government on undisbursed funds.

It is against this background that an independent assessment of the management of the project in the Ministries of Water and Environment (MWE); Agriculture, Animal Industry and Fisheries (MAAIF) and the National Project Coordinating Unit (NPCU) was undertaken.

1.2 **Description of the Audit Area**

1.2.1 **General Description**

The FIEFOC Project was conceived in February 1995 to improve incomes, rural livelihoods and food security, through sustainable natural resources management and agricultural enterprise development. The project, which was conceived in line with Uganda's PMA and PEAP frameworks, is funded by a loan and a grant from the ADF, a loan from NDF and co-funded by the Government of Uganda (GoU).

⁵ FIEFOC Midterm Review Report

⁶ Report of the Sessional Committee to Parliament ,August 2009

⁷ UA =UShs.2774.82 (June 2010)

The project is implemented by the Ministry of Water and Environment (MWE), as the main executing agency in conjunction with the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) and is coordinated by the National Project Coordination Unit (NPCU). MWE implements the Forest Support Component, which comprises the sub components of Community Watershed Management and Tree Planting.

MAAIF implements the Agricultural Enterprise Development Component which originally comprised the sub-components of Soil fertility management, Small scale irrigation & crop development, Agricultural Marketing and Apiculture promotion. Stemming from the project midterm review in 2009, the first three sub components were restructured to form a new sub component of rehabilitation of medium scale irrigation schemes. This sub component is expected to rehabilitate four (4) existing Medium Scale Irrigation schemes of Mubuku, Agoro, Doho and Olweny. Apiculture promotion was maintained.

The project, which was scheduled to start in January 2005 delayed for over a year and started in May 2006⁸, when it became disbursement effective. This project is hinged on the community based development approach taking districts and sub-counties as the focus for implementation and the private sector as the main provider of the required technical services.

FIEFOC was originally meant to operate in 37 districts⁹ (**See Annex 2**) but was increased to 55 following the creation of more districts. In each of the original 37 districts, 3 Sub-Counties (3 Parishes in each Sub-County) were targeted to benefit from the project. The project was designed to utilise the existing staff (designated) at the levels of Ministry, District and Sub County in order to harness synergies and reduce on costs.

1.2.2 Legal Framework

The regulatory framework governing the utilization of the financial resources of the FIEFOC project is the loan Agreement between the Republic of Uganda and the ADF signed on 18th February 2005; the Credit Agreement between the Republic of Uganda and the NDF signed on 15th March 2006; the Parliamentary ratification of the funding from the ADF/NDF; the Rules and procedures for the use of Consultants and for procurement of Goods, Services and Works and ADF's and NDF's disbursement Instructions.

⁸ Aid Memoire, Feb 2007

⁹ ADB Appraisal, Aug 2004 including negotiation minutes

1.2.3 Vision and Mission

FIEFOC does not have its own vision and mission but supports those of the implementing Ministries of MWE and MAAIF which are stated below:-

- **MWE**

Vision

“Sound management and sustainable utilization of water and environmental resources for the betterment of the population of Uganda.”

Mission

“To promote and ensure the rational and sustainable utilization, development and effective management of water and environment resources for socio-economic development of the country.”

- **MAAIF**

Vision

“To support the National development goal of poverty eradication, by providing an enabling environment in which a profitable, competitive, dynamic and sustainable agricultural and agro industrial sector can develop.”

Mission

“To support National efforts to transform subsistence agriculture to commercial production in crops, fisheries and livestock, by ensuring that the agricultural sector institutions provide efficient and effective demand-driven services to the farming community. Whilst services are provided to the sector as a whole the primary focus is on resource poor farmers”.

1.2.4 Project Goal, Objectives, Deliverables and Activities

1.2.4.1 Goal

“To contribute to poverty reduction in Uganda”

1.2.4.2 Objectives

Overall Objective

The overall project objective is “To improve incomes, rural livelihoods and food security, through sustainable natural resources management and agricultural enterprise development”.

Specific Project Objectives

The specific objectives are based on the sub-components as below:-

1. Community Watershed Management Sub-component:- To support communities and households develop a culture of collectively working together to manage watersheds.
2. Tree Planting sub-component:- To provide an enabling environment for small-scale households to participate in tree planting for wood supply and environmental protection.
3. Medium Scale Irrigation sub-component: To restore the irrigation capacity of four irrigation schemes namely: Agoro in Kitgum, Olweny in Lira/Dokolo, Doho in Butaleja, and Mubuku in Kasese.
4. Apiculture promotion sub-component:- To develop and promote quality apiculture and enhance community participation in biodiversity conservation through promotion of improved technologies and practices of beekeeping.
5. National Project Coordination Unit (NPCU):- To monitor and coordinate the overall project implementation.

1.2.4.3 Major Project Deliverables¹⁰

- Re-vegetate 9,900 hectares of degraded watersheds through community groups (50% women) by Project Year (PY) 5. This target was revised during midterm review to 14,900 hectares.
- Protect 99,000 hectares of natural forests that are situated around community farmland and water sources by PY5.
- Establish 13,500 ha of well stocked plantations by PY5 through the support to household initiatives.
- Establish 62,000 kilometres of contour hedges by PY5 to protect farmland.
- Maintain 174 Kms (66 kms in community watershed management sub-component and 108 kms in tree planting sub-component) of forestry/farm roads annually.
- Establish 396 Sub-County and 100 community nurseries.

See detailed list of project deliverables in Appendix 1.

¹⁰ ADB Appraisal Report

1.2.4.4 **Activities**

In order to realise the above project deliverables the NPCU and the PIU's carry out the following activities:-

- **NPCU**

1. Coordinate and liaise with the ADB and the two coordinating units in MAAIF and MWE.
2. Develop a project implementation manual, financial management guidelines, and Monitoring and Evaluation systems.
3. Harmonize procurement guidelines (district and funding agencies) for use by district authorities.
4. Coordinate development and consolidation of annual and quarterly project work plans and reports.
5. Consolidate monthly, quarterly and annual financial reports.
6. Mentor and coach staff of PIU's on issues of procurement, financial management and project monitoring and evaluation.
7. Provide oversight monitoring and evaluation on behalf of the Executing Ministry and the Project Steering Committee (PSC).
8. Steer project implementation through semi-annual and annual reviews on project performance and resource utilization.
9. Facilitate supervision missions and arrange for comprehensive annual audits, midterm review and project completion reports.
10. Exercise due diligence by conducting at its discretion, internal reviews on the use of FIEFOC funds disbursed to the implementing agency in accordance to the required specifications.

- **The Roles of the Project Implementation Units (PIUs)**

1. Coordinate planning, budgeting and reporting about the activities under each component.
2. Consolidate components' draft annual work plans and quarterly reports.
3. Monitor, evaluate and supervise the implementation of activities implemented by the district technical departments and agencies under the line ministries control.
4. Facilitate timely disbursement of funds to the respective sub-component activities implemented in the districts and ensure timely and proper accountability.

5. Timely collect, analyse and review district reports on project performance and recommend the strategies for improvement and accelerate implementation of project.
6. Develop guidelines for procurement of quality service provision and any other technical support required during implementation.
7. Develop standards for execution of technical service provision for such aspects as community action planning processes and outputs.
8. Facilitate training and induction of line ministries technical staff at the district and technical service providers through procurement and identification of relevant facilitators and or consultants at the national and international levels.
9. Sensitize and give technical guidance on project implementation. The Sensitizations of the district technical staff and politicians should be about the project implementation frameworks, accountabilities, procurements, monitoring and evaluation¹¹.

1.2.5 **The Organization Structure**

At the national level, both MWE and MAAIF have Project Support Teams drawn from amongst existing staff (designated) but coordinated by the NPCU. Each ministry has a Coordinator who ensures implementation, and timely preparation and submission of all relevant reports pertaining to the components. Managers head sub-components. Each ministry has designated an Accountant, a Monitoring & Evaluation (M&E) Officer, a Training and Participatory Expert, a Procurement Specialist and one Gender Expert for both ministries, to oversee the coordination of implementation of the project. MWE and MAAIF implement the project through the district technical staff at both the districts and Sub-Counties. **(Refer to the Organization Structure in Appendix 2).**

1.2.6 **Funding**

By the time of project appraisal, the total funds for use by the project were Shs. 142 billion¹², equivalent to Unit of Account (UA) 51 million. The project is funded by loan and grant from ADF and loan from NDF. It is also co-funded by the Government of Uganda (GoU). Beneficiaries' contribution under small scale irrigation sub-component was to meet the cost of treadle pumps.

¹¹ Annual work plan 2007/08

¹² Appraisal Report June 2004

The funds so far disbursed to the project over the financial years 2006/07 to 2009/10 are Shs. 59 billion. Details of funding are as shown in **Table 1**.

Table 1: Showing project funding

	FUNDING IN (UA)					TOTAL
	ADB LOAN	ADB GRANT	NDF	GOU	Beneficiaries	
Total Project Amount	31,566,600	9,851,400	4,112,400	5,551,500	61,900	51,143,800
Total Amount Disbursed	11,384,891	8,601,907	452,764	698,732	0	21,138,294
Disbursement Percentage	36.07%	87.32%	11.01%	12.59%	0	41.33%

Source: OAG analysis of Appraisal Report and NPCU Quarterly Report, Apr-Jun 2010

Exchange Rate, June 2004

UA 1 = Ug. Shs. 2,774.82

Exchange Rates, June 2010

UA 1 = Ug. Shs. 2,774.82

UA 1 = USD 1.5

UA 1 = Euro 1.2159

1.2.7 Audit Objective

The audit seeks to ascertain whether:-

- Project activities were planned according to the project design.
- Project activities were well funded.
- Project activities were implemented as planned.
- The goods and services that were procured were of good quality and quantity, appropriately priced, delivered, complied with procurement regulations and served the intended purpose.
- Project activities were Monitored, Evaluated and Reported on according to the project design.

1.2.8 Scope

The study was carried out at MWE and MAAIF headquarters, where interactions with the managers of the project components of Forest Support, Agricultural Enterprise Development and NPCU were held.

The study further involved visiting the twelve (12) districts of Kumi, Jinja, Pallisa and Tororo (Eastern); Wakiso and Nakasongola (Central); Mbarara, Rukungiri, Kabale and Kasese (Western);

Arua (West Nile) and Lira (Northern) where FIEFOC activities were being implemented. In these districts, 26 sub-counties were visited as shown in **Appendix 3**.

The study covered the period of four financial years from 2006/07 (when the project activities commenced to 2009/2010 (time of Audit).

CHAPTER 2

AUDIT METHODOLOGY

This audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards and the Office of the Auditor General (OAG) VFM manual. The standards require that the audit be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

2.1 Sampling

To select the districts, the Country was stratified into regions of Eastern, Central, Western, Northern and West Nile. Samples were chosen from each stratum, using simple random sampling without replacement such that each district had a chance of being selected only once. A computer was used to generate samples from each stratum. The sample size from each stratum was pro rata determined (ie the bigger the stratum population, the bigger the sample selected).

2.2 Data Collection

Data was collected using the following methods:

Document review

The documents listed in **Appendix 4** were reviewed with the view of ascertaining the FIEFOCs objectives, deliverables and activities.

Interviews

A total of 105 interviews were held with various officers both in MWE and MAAIF and the selected districts together with beneficiaries as detailed in **Appendix 5**.

Project Inspection

Inspection of field activities was carried out during the visits to the Sub-counties where the FIEFOC activities are being implemented.

2.3 Data Analysis

Collected data/information was analysed to determine variances and percentages. Comparisons of the intended and actual project deliverables were made. Performance over the financial years and across the regions was analysed in order to establish the trends and causes of disparities.

CHAPTER 3
SYSTEM AND PROCESS DESCRIPTION

3.1 Roles and responsibilities of Key Players

To fully understand FIEFOC, one must first identify the key players and the roles they play in the project. Key players include:-

- **African Development Fund and Nordic Development Fund**

These are responsible for maintaining the credit and grant accounts and timely release of funds once correct and proper documentations and accountabilities are submitted. They also supervise the implementation of the project and participate in mid-term reviews.

- **The Government of Uganda represented by MoFPED**

The Ministry of Finance Planning and Economic Development (MoFPED) is responsible for signing the loan agreement, approval of the opening of bank accounts, issue of disbursement warrants and timely release of counterpart funding.

- **Project Steering Committee**

The Project Steering Committee (PSC) comprises of the Permanent Secretaries (PSs) of MWE, MAAIF, MoFPED, Ministry of Tourism Trade and Industry (MTTI), Ministry of Gender, Labour and Social Development (MGLSD), Office of the Prime Minister (OPM) and a representative of Uganda National Farmers Federation (UNFFE). The National Project Coordinator (NPC) is the Secretary. The PSC, which meets twice a year, is chaired by the PS of MWE and is responsible for:-

1. Formulation of Policy guidance and project implementation.
2. Approval of recruitment and appointments of NPCU staff.
3. Approval of annual work plans and budgets.
4. Reviewing project reports and guidelines.
5. Approving annual national training programs.

- **NPCU**

NPCU was formed by MWE (the executing Agency) to help execute its mandate due to the multi-sectoral nature and complexity of the project. The NPCU is headed by the National Project Coordinator (NPC) and comprises the financial management specialist, the M&E specialist, the project accountant and the administrative assistant. Its main function is to coordinate and liaise

with the ADB and the two coordinating units in MAAIF and MWE. NPCU's main roles in coordination include¹³:-

- Developing project implementation manual, financial management guidelines, and Monitoring and Evaluation systems.
- Harmonization of procurement guidelines (district and funding agencies) for use by district authorities.
- Coordinating development and consolidation of annual and quarterly project work plans and reports.
- Consolidating monthly, quarterly and annual financial reports.
- Mentoring and coaching staff of PIU's on issues of procurement, financial management and project monitoring and evaluation.
- Provision of oversight monitoring and evaluation on behalf of the Executing Ministry and the PSC.
- Steering project implementation through semi-annual and annual reviews on project performance and resource utilization.
- Facilitating supervision missions and arrange for comprehensive annual audits, midterm review and project completion reports.
- Exercising due diligence by conducting at its discretion, internal reviews on the use of FIEFOC funds disbursed to the implementing agency in accordance to the required specifications.
- **Project Implementation Units (PIUs)**

The PIUs are headed by project component Coordinators and report to their respective PSs who are the accounting officers of MWE and MAAIF. The PIUs play the major roles of coordination, fund disbursements, verification, technical backstopping, and consolidation of reports. These roles are detailed below:-

1. Coordinate planning, budgeting and reporting about the activities under each component.
2. Consolidate the components' draft annual work plans and quarterly reports.
3. Monitor, evaluate and supervise the implementation of activities implemented by the district technical departments and agencies under the line ministries control.
4. Facilitate timely disbursement of funds to the respective sub-component activities implemented in the districts and ensure timely and proper accountability.

¹³ FIEFOC Implementation manual, March 2008

5. Ensure timely collection, analysis and review of district reports on project performance and recommend the strategies for improvement and accelerate implementation of project.
6. Develop guidelines for procurement of quality service provision and any other technical support required during implementation.
7. Develop standards for execution of technical service provision for such aspects as community action planning processes and outputs.
8. Facilitate training and induction of line ministries' technical staff at the district and technical service providers through procurement and identification of relevant facilitators and or consultants at the national and international levels.
9. Sensitise and provide technical guidance on project implementation. The Sensitizations of the district technical staff and politicians should be about the project implementation frameworks, accountabilities, procurements and monitoring and evaluation.¹⁴

- **District Technical Support Team**

The District Technical Support Team (DTST) is the district coordinating unit and is composed of seven relevant members of the district technical planning Committee. The District Agricultural Officer (DAO) was originally the district focal person for the Agricultural Enterprise Development Component but stemming from the re-design of the agriculture components, the District Entomologist is now the focal person. The District Forest Officer is the focal person for the Forest Support Component.

The DTST, which is chaired by the CAO, is responsible for:-

1. Coordinating planning, implementation and reporting of activities implemented in the district.
2. Consolidating and Approving sub-county components' draft annual work plans, budgets and quarterly reports.
3. Submitting work plans and progress reports to the respective PIU's.
4. Timely disbursement of funds based on the Ministries' Component releases to the sub-counties for implementation of the respective component activities in the selected sub-counties.

¹⁴ Annual work plan 2007/08

5. Timely collection and review of monthly financial reports from the sub-counties and submitting them to the respective Ministry Accounting Authority through the Project Component Coordinator.
6. Backstopping financial management and technical implementation of activities in the selected sub-counties through application of developed criteria and guidelines developed by the national project coordination units.
7. Overseeing the implementation of agreements and Contracts for goods and services provided by private sector and partners/stakeholders originating outside the districts.
8. Guiding the sub-county technical support committee on the application of guidelines for engagement of private sector and civil society in provision of extension and advisory services to the farmers.
9. Developing and facilitating the implementation of training programs for extension staff, service providers and farmers.
10. Liaising with technical staff at the ministry and sub-county levels to identify sub-counties, project sites, communities, and farmer groups for financial and technical support.
11. Sensitizing sub-county technical staff and politicians on the project activities, implementation procedures, use of funds, accountabilities and reporting requirements.
12. Supervising the collection of monitoring and evaluation data by the sub-counties, compiling and forwarding it to the PIUs.
13. Analysing field reports and data on project performance and advising on the strategies to improve and accelerate the implementation of the project at the sub-county level.
14. Monitoring, evaluating and supervising activities implemented by the sub-county technical staff, private sector, contractors and agencies engaged by the ministry, the district and the sub-counties.

- **Sub-County Technical Support Team**

The Sub-County Technical Support Team (STST) is the Sub County coordinating unit and is composed of at least seven relevant members of the Sub-County technical planning Committee.

The STST, chaired by the Sub-County Chief, does the following:-

1. Coordinating planning, implementation and reporting of activities implemented in the Sub-county.
2. Compiling each component's annual work plans, budgets and quarterly activity reports on a timely basis and submits to the district for consolidation.

3. In liaison with district technical teams, identifying and recruiting relevant extension and advisory service providers to support farmer in the implementation of planned activities.
4. In liaison with farmer groups and service providers, identifying farmers to train, host demonstrations and for any other technical or financial support.
5. Timely requisition of funds for payment of service providers and or contractors contracted to implement the respective component activities in the sub-county.
6. Facilitating service providers and contractors to implement the contracted work according to work plans of training programs for extension staff, service providers and farmers.
7. Approving quarterly site/field work plans of service providers and extension staff.
8. Mobilizing and sensitizing farmers and communities for implementation of planned project activities.
9. Monitoring, evaluating, supervising and endorsing reports and activities implemented by the service providers, contractors, and agencies engaged by the ministry, the district and the sub-counties.
10. Monthly, quarterly and annually collecting monitoring and evaluation data about the project implementation and submit it to the district planning unit for analysis and reporting.
11. Overseeing day today project implementation at Sub-Counties.
12. Participating in the annual, midterm and end of project reviews.

- **Private Service providers**

The private sector is the main technical service provider for the project. They provide specialist services and demonstrations for the various central/ district/sub-county implementation units.

- **Farmer groups**

Because the project promotes integrated activities with full community involvement at all stages of the work, great emphasis is placed on farmer and group-led developments with adequate consideration given to farmers' priorities and the presentation to the communities of a full range of technical options. Farmer groups are therefore at the centre of the project implementation. They are charged with organizing and coordinating members in carrying out FIEFOC activities for the common good of the group.

3.2 **Process Description**

FIEFOC activities are implemented as described below:-

Planning

The FIEFOC project budgets are prepared on the basis of the participatory bottom-up Planning approach. In the first week of November every year, the NPCU and the PIU coordinators together with component managers prepare a timetable for the preparation, submission and approval of annual budgets. The PIU's avail indicative figures communicated through MoUs to the districts and the Sub-Counties for use in budgeting.

When a Sub-County receives the indicative figures, activities are originated and agreed upon by the community and the technical committee constituted from the technical departments and chaired by the Sub-County Chief. The committee compiles and approves the Sub-County Annual Work Plan and Budget (AWP&B) detailing the activities to be implemented in the financial year (July to June) and forwards it to the district by 31st January. The District Council, headed by the Council Chairman, consolidates the Sub-County AWP&Bs into one district AWP&B after adding the operational costs and submits it to the respective PIU by 28th February after the approval of the district technical committee.

The project component coordinators at the PIU's in the MWE and MAAIF, assisted by their sub-component managers and accountants consolidate the district work plans and budgets after adding the PIU operational costs and produce PIU work plans and budgets by 31st March.

The work plan is submitted with copies of the NPCU and PIU budgets to the PSC for approval and for the Bank/Fund endorsement by 31st May. This therefore, becomes the instrument to authorize the implementation of the work plan and spending the budget.

Funds Disbursement

Disbursements are made on the basis of applications submitted by PIUs and the NPCU. Disbursements are expected to cover a period of 6 years. The PIUs are required to open special accounts in banks acceptable to the development partners into which advances for implementation of activities qualifying for special account are deposited. The NPCU is also required to open an account to receive funds for project coordination.

Districts make disbursement requests to the respective PIUs using justification for accountabilities. The disbursement requests should be accompanied by bank statements and work plans. The PIUs review the disbursement requests from districts to see if they are consistent with the annual work plans and budgets before further advances to districts are made. The NPCU on the other hand reviews the disbursement requests from PIUs to see if they are consistent with the annual work plans and budgets. The requests from PIUs are then forwarded to ADB/NDF for approval through MoFPED.

Funds disbursed by the development partners are remitted to district bank accounts for the implementation of agreed activities. Disbursements are supposed to be made to districts which have accounted for at least 50% of the funds of the previous quarter. The funders sometimes make direct payments for major supplies, civil works and consultancy contracts following a disbursement application submitted by the appropriate PIU and the NPCU.

Implementation

Government is responsible for the implementation of the project. The project design is hinged on community-based development, with the districts and Sub-Counties being the focus of implementation. Communities are sensitized on activities to be implemented in their Sub-Counties and encouraged to form farmer groups. The farmer groups organize and coordinate members in carrying out FIEFOC activities for the common good of the group. In apiculture, new groups were either formed or old ones strengthened in bee keeping. The project also helps individuals especially in tree planting.

The project functions are delegated to the private sector as the main technical service provider, following the National Agricultural Advisory Services (NAADS) approach where the private sector is the main technical service provider. These provide specialist services and demonstrations for the various central/ district/sub-county implementation units.

The project implementation process is in line with GoU decentralization policy and therefore the existing implementation arrangements at local Government levels are followed. At Sub-County level, the technical committee oversees the overall project implementation, is responsible for

community and beneficiary sensitization and mobilization, monitors the project performance and participates in the midterm and project's completion reviews.

For the agricultural enterprise development component, specialist services, training and extension activities will be undertaken through the NAADS system using incremental project funds where NAADS is operational. In Districts where NAADS is not yet operational, the implementation of community watershed management and tree planting sub-component is mainly done through the support of private sector (service providers) with Government established structures at district, Sub-County, village/community levels playing roles of mobilization, technical backstopping of service delivery and facilitating the training of service providers.

Where a complex irrigation infrastructure is to be implemented, a joint coordination with the Department of Water Development is encouraged. The agricultural marketing sub-component is coordinated in collaboration with the Ministry of Trade and Industry.

The Forest Sector Support Department (formerly Forestry Inspectorate Division) coordinates the implementation of the forestry component, using existing structures in the districts and sub-counties, with support from NARO.

The project emphasises increasing access to project activities for women as well as their participation in project implementation and community representation and decision-making. For each project site, the selection process addresses the needs of women as perceived and identified by them. Community members and beneficiaries of each site are trained in social and gender issues at ministry and district level. The training is geared towards raising the awareness of the community including beneficiaries, strengthening community leadership and participation skills with special emphasis on women.

Training should also empower women and improve decision making. Training also involves training women beneficiaries to raise awareness on HIV/AIDS and also training of one counsellor per community. Specialized service centres or NGOs assist in the implementation of these packages, which are guided and monitored by the Project Support Teams.

Because the project promotes integrated activities, with full community involvement at all stages of work, emphasis is placed on farmer and group led developments with adequate consideration given to farmers' priorities and the presentation to the communities of a full range of technical options.

Given the multi sectoral nature of the project, coordination of activities by the NPCU is critical. To enable it do this, it develops manuals, guidelines and puts in place Monitoring and Evaluation systems. It also coordinates the development and consolidation of annual and quarterly project work plans and reports. It further steers project implementation through semi-annual and annual reviews on project performance and resource utilization, besides facilitating supervision missions.

Procurement

All procurement of goods, works and acquisition of consulting services is in accordance with ADB and NDF procurement guidelines and procedures. At the local level, PPDA regulations can be applied as long as they do not conflict with the ADB and NDF procurement guidelines and procedures.

The responsibility for the award and administration of the project contracts rests with the Government. The bank only approves/authorizes contract award activities by giving "no-objection" before the signing of the contracts. In general, the ADB policy requires international competitive bidding for the procurement of goods, works and services financed using Bank resources. However, where international competitive bidding is not required, the Government and the Bank may agree to an efficient method or other forms of procurement.

Monitoring, Evaluation and Reporting

There is a Monitoring and Evaluation (M&E) cell within the NPCU managed by the M&E Specialist whose activities are based on the M&E guidelines. The cell is charged with establishing an appropriate mechanism for data collection and monitoring and evaluation of project activities. It particularly monitors the impact of activities. It is responsible for compiling and consolidating the quarterly and annual reports for submission to the PSC, MoFPED and the ADB through the National Project Coordinator.

The M&E continuously monitors the grant effectiveness using indicators like the number of hectares of degraded watersheds re-vegetated; natural forests protected; kilometres (km) of contour hedges established; km of forest roads constructed; number of farmers, community leaders, farmers associations and project staff trained in various project activities; and number of women participating. Each implementing unit also has a monitoring and evaluation cell for data collection and monitoring the implementation at the sector level. Indicators are used to compare project performance each year with the targets set in the Annual Work Plan and Budget (AWP/B) for that year.

There is participatory monitoring of project activities where:-

- (a) Water users associations/farmers' groups (of which women are expected to constitute 30%) monitor their activities and investment performance, supported by service providers;
- (b) Communities monitor watershed management and agro-forestry; and,
- (c) Each Implementing Agency and Districts/Sub-Counties monitor activities, inputs and output achievements.

The PIU's in conjunction with NPCU conduct regional semi-annual feedback meetings to review progress of the project. Participants in the review meetings include sub-component coordinators and district technical staff of each participating district. The results of the review meetings form part of the subsequent planning and implementation process. NPCU uses the semi-annual reports generated at the review meetings to produce an annual report guide for project management¹⁵.

As far as reporting is concerned, the PIUs ensure that districts and Sub-Counties timely produce and submit activity based quarterly progress reports. PIU's consolidate the district activity reports into the Project technical quarterly report for submission to NPCU for further review and consolidation. NPCU then submits the report to ADB, NDF and respective ministries. Since NPCU is expected to submit its quarterly progress reports to donors and Government not later than the 15th of the month following the end of the reporting quarter, MWE and MAAIF PIUs submit their consolidated quarterly reports to the NPCU not later than 8 days after the end of the reporting quarter. Districts submit their quarterly reports to the PIUs not later than 3 days to the end of the quarter.

¹⁵ M&E manual

The technical quarterly reports from the PIU's should contain the summary, introduction, status of progress on work plan and outputs, constraints/challenges, experiences and lessons learnt, way forward/recommendations and conclusions. In addition, the compiled M&E report should be attached to the progress report for submission to the NPCU (both hard and soft copies) for review, consolidation and submission to development partners and Government.

CHAPTER 4

FINDINGS

This chapter presents findings on planning, funding, procurement and implementation of Farm Income Enhancement and Forest Conservation (FIEFOC) activities by the Forestry Support and Agricultural Enterprise Development components in the Ministries of Water and Environment and Agriculture Animal Industry and Fisheries respectively. It further presents findings on the monitoring and coordination role played by the NPCU in the implementation of the project.

4.1 Project Planning

Project planning involves feasibility studies which act as a basis for drawing up the project design and the implementation plan. During implementation, annual work plans should be drawn up to operationalise the project activities.

4.1.1 Project feasibility Study and Design

According to best practice, a project's cycle should commence with a feasibility study which is carried out to ascertain the viability of the project. The Feasibility study should capture the needs of the intended beneficiaries and all other stakeholders identify risks and possible solutions. The findings and recommendations should be incorporated into a feasibility study report.

There was no evidence to indicate that feasibility study reports were prepared. NPCU and the PIUs explained that feasibility studies were carried out by MWE and MAAIF and that the reports were at the ministries. Efforts to obtain the feasibility study reports were futile.

In the absence of feasibility study reports, we could not ascertain that the project design identified critical success factors, risks and possible solutions. For example, (during field visits, it was observed that) the majority of the rural poor, especially women, did not participate in tree planting because they did not own land. Tree planting also involves high land preparation and maintenance costs which had not been identified. All these should have been identified in the feasibility study. Management, however, asserted that the risk of non ownership of land had been foreseen but the project assumption was that the participating farmers would offer their land unconditionally for tree planting.

The failure to mitigate the risks that could have been identified during project planning was due to a wrong assumption which presupposed that the targeted beneficiaries would have land which would sustain the FIEFOC project and their subsistence needs. Furthermore, the original design of the project, which was done in 1995, had evolved and many things had changed by the time of implementation.

The failure to address the identified critical risks led to the majority of the rural poor not participating in tree planting, which requires land and continuous maintenance. Costs in maintenance include procurement of herbicides, pesticides and labour.

Management response:

The feasibility studies were carried out and funded by the Food and Agricultural Organization (FAO). However the feasibility study reports may have been misplaced during the restructuring of the Ministry of Water and Environment and the reforms in the forest department.

The Appraisal report, however, identified risks as indicated in paragraph 6.3 of the appraisal report (Critical Risks and Mitigation Measures) and these have been mitigated during project implementation. Where risks were identified at appraisal control measures were fully incorporated and mainstreamed into the design to address the risks identified and others shall be addressed through the implementation of the Environmental and Social Management Plan (ESMP). Management has already contracted a consultancy firm for this assignment. Furthermore, at the beginning of project implementation, a review of risks and assumptions identified at appraisal as given in the log frame was carried out during monitoring and evaluation manual development. The M&E guidelines page 42 provides the revised risks, assumptions and mitigation measures.

4.1.2 Targeted Beneficiaries

According to the project design, the project was intended to improve incomes and livelihoods of the rural poor households, and ensure their food security through sustainable natural resources management and agricultural enterprise development. The project was also designed to provide gainful employment to the poor subsistence farmers and their households.

Through document review, interviews and site visits at the districts, it was observed that the rural poor were participating in and benefiting from apiculture. We further observed that although the farmers involved in apiculture were reaping benefits, this was not the case with farmers in the other sub-components such as tree planting and community watershed management as explained below:-

Interviews with members of seven (7) farmer groups visited in six (6) districts where apiculture was practiced revealed that their incomes and livelihood had improved because of improved honey and wax production. Farmer groups attributed this to the trainings, apiculture equipment received and the setting up of modern demonstrations which have helped in improving honey and wax production.

Picture 1: Showing one of the benefits reaped by an Apiculture farmer



Pic
11th Nov 2010

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In the tree planting and community watershed management sub-components, we observed that although tree cover had increased, which will in the future help beneficiaries to earn incomes from building poles, timber and fuel wood, it was noted that besides the poor, the well to do (willing farmers) also benefited from the project contrary to the project design. All the twelve (12) district forestry support focal persons concurred that they had distributed seedlings or supervised tree planting by the well to do farmers.

According to management, the participation of the well to do farmers in the community watershed management sub-component was due to the fact that community watersheds are inhabited by both the rich and poor, so the rich could not be isolated and left out. In tree planting sub-component, farmers were skeptical about the project's intentions in the beginning because they feared that the project was intended to grab their land. Through interviews with management and review of the aide memoire of 11th-23rd August 2008, it was noted that GoU and the development partners agreed to provide seedlings to communities, farming families and whoever wanted to plant trees regardless of their economic status.

As a result of involvement of the targeted beneficiaries in apiculture sub-component, the farmers have been able to raise incomes and have a better livelihood. However, in the tree planting and community watershed management sub-components, it is the well to do farmers who will benefit more because they had the ability to spare land and resources to plant and maintain trees.

Management response:

The project target beneficiaries are mainly the rural poor households. We agree that some few households that may not be categorized as poor have also benefited from the project. These households, also referred to as willing farmers, are categorized as those that have planted more than 10,000 trees (approx 10 acres) and constitute about 2.2% of the project beneficiaries in tree planting (Appendix 8). One of the reasons for their participation is mentioned in the report findings (page 37), that is, the well to do households own land in the watersheds that were heavily degraded and identified for re-vegetation. The other reason is that the project has showcased good tree management practices using farmers that were willing and ready to offer their land; in most cases these are farmers that have fairly large pieces of land.

The revision of targeted beneficiaries to include all farmers in the community therefore strengthened the project's ability to increase forest cover which is in line with the project objective. A wider forest cover as envisaged under the project has led to reduced soil erosion, flooding, water pollution, biodiversity conservation and for combating deforestation. Most of the planting as shown in Appendix 8 is on small land holdings and is mainly for firewood, poles and fruits trees where women participation is emphasized. The impact of tree planting is realized in shortened distances travelled to collect firewood by women and children and the regeneration of water sources/streams in the watersheds. The success in tree planting in degraded watershed areas and the increasing demand for tree seedlings is attributed to the sensitization carried out among the intended beneficiaries. Focused sensitization in specific aspects of community forest management will continue to be carried out by the project.

4.1.3 Planning at the Districts

According to the financial procedures manual, districts and sub-counties should prepare annual work plans and budgets (AWP&Bs) in line with the indicative planning figures communicated by the PIU's. The Sub County AWP&B should be approved by the Sub-County technical committee and forwarded to the district by the 31st of January every year. The district should consolidate Sub-County AWP&Bs and forward the consolidated AWP&B to the respective PIU's by 28th February every year after the approval of the district technical committee.

Through document review and interviews with all district focal persons in the twelve (12) districts visited, it was established that districts prepared their AWP&Bs in line with the indicative planning figures. However, in all the 26 sub-counties visited, it was noted that AWP&Bs were not prepared by the sub-counties themselves, but by the districts on their behalf. At times, the Sub-county technical officers were invited to participate in the project planning.

The reason for non preparation of AWP&Bs at the sub-counties was that there were no technical officers to prepare them. The forest rangers and guards at the sub-counties had no technical competence in preparing AWP&Bs.

In 2007/08 districts prepared AWP&Bs but they delayed to submit to PIUs due to lack of technical expertise, according to management. To mitigate this challenge, NPCU decided to organize joint planning workshops in the years 2008/09 and 2009/10 but these too delayed by an average of two and a half (2½) months in each of the years.

The minimal involvement of the sub county technical officers in project planning results into districts planning for activities that are not originated and agreed upon by the sub county. As a result, planned activities may not be consistent with sub county priority needs and therefore may not be owned by the sub-counties.

Management Response:

We agree that Sub-Counties should be fully involved in the planning process and the project targets to achieve that level. Lack of technical capacity at the sub-county level has been a challenge since the beginning of project implementation because the local governments have not fully honored the commitment to ensure that technical officers are in place. The local governments are dependent on the structure provided by Public Service and limited by availability of local resources. On the other hand the split of districts has compounded the already bad situation as the available staff is shared among the new districts. The level of staffing in the local governments affects the level of involvement in project planning.

To mitigate this challenge in the forestry sector management recruited 72 Sub-county Technical Forest Officers (SFTO) in April 2010 and October 2010 to enhance the existing capacity at sub-county level and 18 more SFTOs are being recruited by GoU. In addition management trained district planners to support the planning process at sub-county and district levels and organized regional planning workshops. The planning for FY 2011-12 has already started and submission of AWP&B at different levels is expected to be timely.

4.1.4 Planning at the PIUs and NPCU

According to the financial procedures manual, Sec 3.1, the PIUs should consolidate the district AWP&Bs and submit to NPCU by 31st March. The NPCU then consolidates PIU AWP&Bs for submission to the Bank/Fund for endorsement by 31st May.

A review of PIU and NPCU AWP&Bs revealed that they were consolidated. However, the dates of their submission could not be ascertained. Through interviews, management explained that there were delays in submission by both PIU and NPCU.

The failure to submit the consolidated PIU AWP&Bs in time was attributed by management to inadequate capacity at the PIU's and delays by districts to submit their AWP&Bs. NPCU attributed its late submission to PIUs delay to submit their AWP&Bs. Management stated that they had recruited two watershed management support officers and the recruitment of two more officers was underway. It is expected that these recruitments will go a long way in addressing the problem of delayed submission.

The delays by both the PIUs and NPCU to consolidate and submit AWP&Bs affected their eventual submission to the Bank/Fund for endorsement thereby delaying the release of annual funds required for the timely implementation of project activities.

Management Responses

We agree that planning processes at PIU and NPCU have been delayed due to lack of technical capacity largely at the local government level and PIUs resulting into delayed submission of AWP&B to the Bank/Fund. However the delay in planning processes did not significantly affect reimbursement and disbursement processes and subsequent implementation of project activities. Management would like to clarify that further reimbursement of funds to PIUs and districts is subject to justification of at least 50% of previous advances and submission of progress reports.

However, management has signed implementation agreements with districts to emphasize the roles and responsibilities of districts in planning process. In addition, Chief Administrative Officers have been sensitized and district planners trained in a bid to ensure the planning process is initiated on time and submission of AWP&B is within agreed timeframes. Management will complete the recruitment of two additional officers to support the Forestry Component by March 2011.

4.2 **Project Funding**

This section focuses on project grant and loan performance, counterpart funding, release, utilization and disbursement of funds to districts.

4.2.1 **Project Grant and Loan performance**

According to the project appraisal report and implementation plan FIEFOC was supposed to be implemented in five years. By the time of audit (Nov. 2010) which is PY4, the project was expected to have received a total of Shs. 111 billion (equivalent to UA 40,155,900) in both grant and loan in line with the expenditure schedule as shown in **Table 2**.

Table 2: Showing planned and actual funds disbursed in Unit of Account by PY4

Project Years	ADB Loan	ADB Grant	NDF Loan	Total
	UA '000	UA '000	UA '000	UA '000
PY1	11,908.6	2,108.1	1,112.3	15,129.00
PY2	7,091.4	2,139.7	844.9	10,076.00
PY3	5,246.5	2,238.6	853.6	8,338.70
PY4	4,311.8	1,658.6	641.8	6,612.20
Total Planned Disbursement	28,558.30	8,145.00	3,452.60	40,155.90
Actual Disbursement	11,384.89	8,601.91	452.76	20,439.56
% Disbursed	39.87	105.61	13.11	50.90

*UA 1 = Ug. Shs. 2,774.82

Source: OAG analysis of Appraisal Report and NPCU Quarterly Report, Apr-Jun 2010

A review of the documents revealed that the project had received loan and grant totaling Shs. 57 billion (UA 20,439,560) out of the expected Shs. 111 billion, representing 51% performance by PY4 as shown in **Table 2** above.

Further analysis of grant and loan performance revealed that the full amount of the ADB grant had been disbursed by PY4 (105.61%), as compared to the performance in ADB loan (39.87%) and NDF loan (13.11%) shown by the disbursement percentages in **Table 2** above.

Management attributed the full disbursement in ADB grant to the fact that the grant was meant to finance start-up activities such as hire of consultants, training, sensitization and supply of agricultural inputs. Management further explained that the slow disbursement in ADB loan was due to the restructuring of the three sub-components in the MAAIF while that of NDF loan was caused by delay to open special accounts and to approve implementation and procurement plans.

The slow disbursement of funds may lead to delayed attainment of project targeted objectives. This may also lead to payment of avoidable commitment charges by Government on undisbursed funds.

Management Response:

Management clarifies that the restructuring in MAAIF was completed in 2009 with the designation of engineers from MWE, NARO and NAADS. Management agrees that there are delays in the utilisation of resources and this may lead to targeted results not being achieved by December 2012. However, management has put in place measures to enhance utilisation of funds at district and PIU levels. The measures include: recruitment of 90 Sub-county Forest technical officers and 6 local consultants to support existing staff at district and national levels; training of relevant PIU and district staff in planning, reporting, and monitoring project activities; management of special accounts; recruitment of a Procurement Assistant to fast track procurement; and sensitisation of PIUs in Bank/Fund disbursement and procurement guidelines. To date, 75% of the total loan funding under NDF has been committed in 3 key on-going signed contracts, namely: strengthening capacity of FSSD, Supply of tree seedlings by private nursery operators, and recruitment of sub-county forest technical officers. When the contractors are fully paid the performance of the loan funding will greatly improve. Consultants have been procured to prepare designs and bills of quantities for the rehabilitation of 4 irrigation schemes, and contractors for the rehabilitation works shall be in place by February 2011 and June 2011, respectively. Management is committed to ensuring that the contracts are concluded within the project period.

4.2.2 Counterpart funding

According to the Appraisal Report and implementation plan, GoU was obliged to remit Shs. 12 billion (equivalent to UA 4,330,400) by PY4 to cater for recurrent costs such as salaries, allowances, taxes and bank charges to be paid during and after project implementation. **Table 3 refers.** Beneficiaries on the other hand were also obliged to contribute Shs. 172 million (equivalent to UA 62,030) by PY3 towards financing the procurement of treadle pumps to aid small scale irrigation.

Table 3: Showing Projected and Actual counterpart funding by GoU and Beneficiaries

Project Years	Projected	Actual	Variance	Proportion Disbursed
GoU				
PY1	2,787,861,654	130,148,028	2,657,713,626	5%
PY2	2,927,157,618	560,307,227	2,366,850,391	19%
PY3	3,073,668,114	1,071,949,359	2,001,718,755	35%
PY4	3,227,393,142	*1,078,546,878	2,148,846,264	33%
Totals	12,016,080,528	2,840,951,492	9,175,129,036	
Average %age Disbursed				24%
Beneficiary Contributions				
PY1	40,789,854	0	40,789,854	0%
PY2	46,700,221	0	46,700,221	0%
PY3	50,224,242	0	50,224,242	0%
PY4	34,407,768	0	34,407,768	0%
Totals	172,122,085	0	172,122,085	0%

Source: OAG analysis of Audited Accounts, Appraisal Report and NPCU Quarterly Report, Apr-Jun 2010

* From draft Accounts 2009/10

It was noted through analysis of audited accounts and quarterly and appraisal reports that by June 2010, GoU had remitted only Shs. 2.8 billion of the expected disbursement of Shs. 12 billion by PY4 representing 24% performance level. Management explained that although Government was paying salaries to designated officers at the ministries, districts and sub-counties, no proportion of such figures to the project had been calculated and designated as Government

counterpart funding. Document review and interviews with management revealed that beneficiaries on the other hand did not contribute any money towards the procurement of treadle pumps.

According to the midterm review report, the treadle pump technology was discovered to be unsuitable for Uganda and Government sought change from small scale to medium scale irrigation. This points to inadequate planning (at feasibility stage) because the inappropriateness of the technology could have been ascertained early enough before commencement of project implementation.

Failure by GoU to remit counterpart funds as expected created a funding gap leading to over reliance on donor funds to finance project activities. Inability to identify appropriate technology for irrigation deprived the farmers of benefits which could have accrued to them from Small Scale Irrigation.

Management Response:

We agree that GoU contribution performance is low but hasten to add that over the years the releases to the PIUs has shown an increasing trend. We also agree that salaries of designated staff at national and district level were inadvertently not captured as part of Government counterpart funding. Management has already initiated the process to retrospectively calculate and capture the salary amounts for all designated staff as counterpart funding. It suffices to note that the gross tax expenses incurred by MFPED on behalf of the project on imported goods are also not shown. Management will include the gross tax to further improve government counterpart funding.

The in kind contribution by farmers towards the procurement of treadle pumps was shelved by government after recent studies found treadle pumps were inappropriate technology. MAAIF has carried out studies and identified areas where small scale irrigation shall initially be carried out to test other appropriate technologies. These studies could not be carried out and implemented by the identified farmers within the project lifespan. The originally identified farmers have been supported under other programmes in MAAIF such as NAADS. We agree that in future other in kind contributions such as land, labour and inputs should be identified and defined as counterpart.

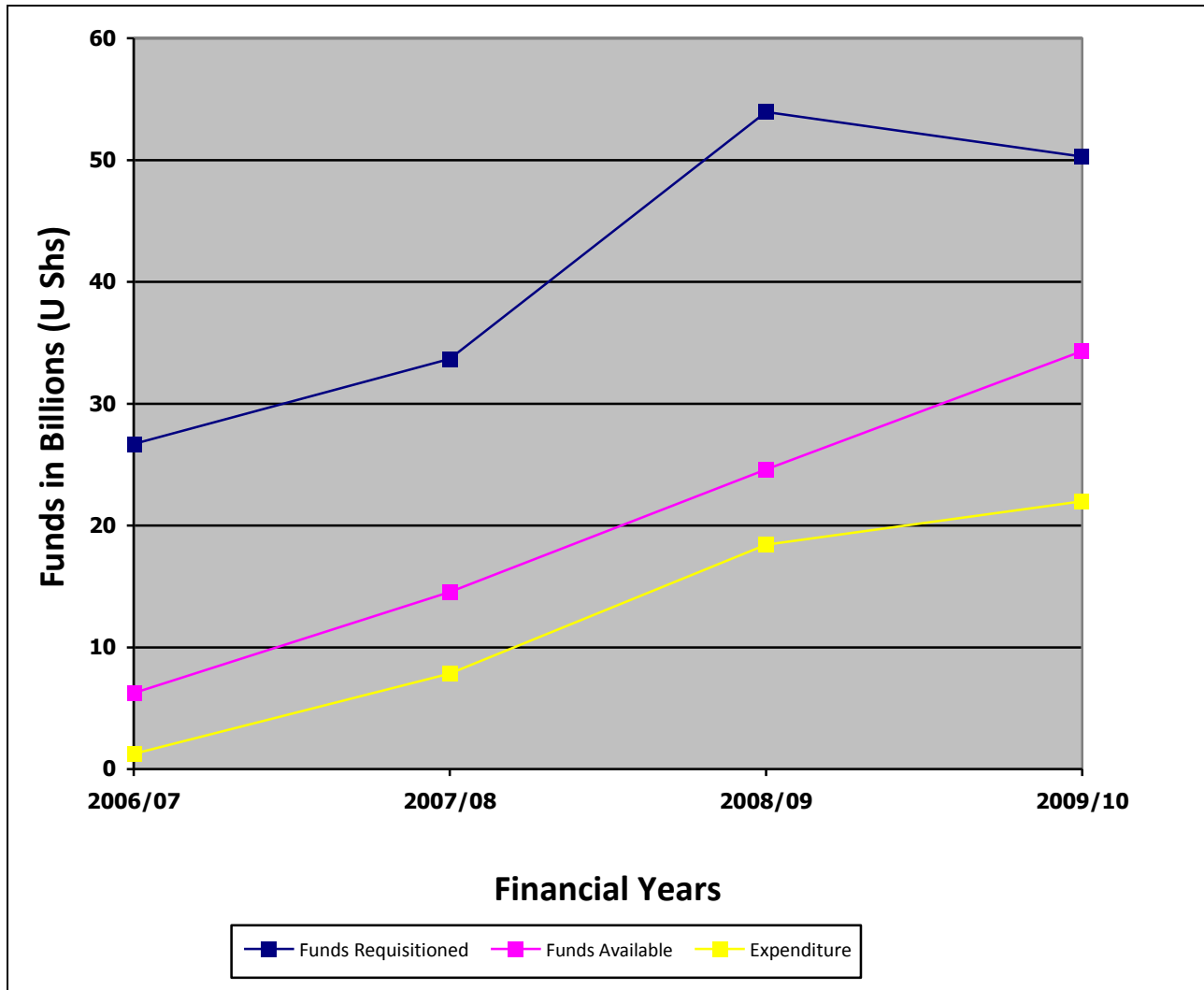
4.2.3 Release and Utilization of Funds

It is good practice in project management that funds should be released and utilized as per approved AWP&Bs.

A review of approved AWP&Bs, audited accounts and release/ disbursement schedules revealed that funds were not released to the project as per approved AWPBs. Funds released were 6.3 billion (23%), 9.6 billion (28%), 17.9 billion (33%) and 28.1 billion (56%) of the approved AWP&Bs in the financial years 2006/7, 2007/8, 2008/09 and 2009/10, respectively.

We also noted that despite the low levels of release of funds, even what was availed was not fully utilized by the year end. In the financial years 2006/7, 2007/8, 2008/09 and 2009/10, of the available funds, only 1.3 billion (20%), 7.8 billion (54%), 18.4 billion (75%) and 22 billion (64%), respectively were utilized as shown in the **Appendix 6**.

Figure 1: Showing Funds Requisitioned, Available and spent in Billions



The reason for the Bank/Fund not financing budgets fully was due to the delay to meet donor financial procedures and the low funds absorption rates by the project. Management explained that the Bank/Fund releases funds depending on project spending trends and compliance with the accountability requirements. Districts were delaying to account for funds released to them. The issue of delays in submitting accountabilities has also been reported in OAG financial audit reports over the years.

Focal persons attributed the challenge of inadequate release of funds to districts to PIUs selecting fewer activities from their approved AWP&Bs. Failure to release and utilize all funds has affected the project's financial performance and the attainment of planned project deliverables by districts

as planned and also renders the balances, which stood at Shs.4.9 billion (FY 2006/07), Shs.6.7 billion (FY2007/08), Shs.6.1 billion (FY2008/09) and Shs 12.3 billion (FY 2009/10), susceptible to abuse.

Management Response:

ADB and NDF each have disbursement guidelines that stipulate 50% accountability for previous advances before further reimbursement. Release of funds is therefore based on utilization and accountability of previous advances. We agree that low utilization of funds is largely due to capacity challenges at local level and the restructuring of the irrigation sub-component in MAAIF.

However, Management has sensitized the Chief Administrative Officers and urged them to ensure compliance with the accountability requirement as provided in the financial management guidelines. MWE has collaborated with the Ministry of Local Government to conduct joint supervision in districts and those that do not comply are periodically placed in the national print media. Management has put in place additional measures to enhance the utilisation of funds.

4.2.4 Disbursements to Districts

According to the Financial Management Manual, funds should be utilized within a period of 3 to 6 months and replenishments should be effected after fulfillment of the following requirements: a signed implementation agreement between district and MWE/MAAIF, accountability of at least 50% of previous advance, submission of monthly and quarterly reports, and a request for replenishment.

Through a review of financial records and interviews with district officials, it was noted that disbursements to districts were made once in most cases and twice in others even when some districts had signed implementation agreements, submitted accountabilities of at least 50% of the previous advance, submitted monthly and quarterly reports, and requested for replenishment.

Management explained that disbursements are not made as required because of the failure by the districts to properly account for the previous advances and the failure to submit monthly & quarterly reports.

We, however, also noted instances where some districts accounted for funds but no action was taken. To this, management explained that they sometimes fail to reimburse districts which have fully accounted as a result of the majority of districts failing to account in time. The Bank cannot release more funds to the Project before NPCU submits overall accountability totaling to at least 50% of the previous disbursement.

However, audit argues that even if total accountability does not reach 50%, NPCU and PIUs should utilize the unspent balances (discussed in 4.2.3 above) to reimburse compliant districts so that implementation of planned activities in these districts is not hindered by non-compliant ones.

The effect of not funding districts on a quarterly basis as stipulated in the financial procedures manual has led to some districts failing to implement planned activities according to schedule and according to their work plans. It has also led to some districts rescheduling the implementation of some project activities to the subsequent periods.

Management Response:

Management has supported districts and PIUs to speed up utilization of funds and therefore increase disbursements. NPCU has supported PIUs to review accountability and to ensure that replenishment requests from districts are handled promptly.

Management wishes to clarify that the balance of funds given in Figure 2 of the report is a consolidation of ADF loan, NDF loan and ADF grant. Each of the funding sources is activity specific and therefore funds cannot be co-mingled and disbursed to districts for activities that are not originally defined for the funding source. In addition most of the balance constitutes the un-utilized funds that had been disbursed to MAAIF before restructuring process and the other funds are tied up in district advances.

4.3 Procurement of agro inputs

Sections 4.1.3 and 4.1.5 of the Implementation Manual required the project to utilize the services of private suppliers present in the district for supply of agro-inputs to farmers or communities.

In this regard, the project was also supposed to establish 100 tree planting nurseries in sub-counties and 396 community nurseries.

A review of procurement records and interviews with management revealed that procurement of agro-inputs was centrally undertaken at the PIUs and NPCU, contrary to the requirement to make use of the private sector present in the district.

A further review of performance reports revealed that only 35 sub-county nurseries out of 100 (35%) and 6 community nurseries out of 396 (2%) had been established. However, we noted that these nurseries were later discontinued.

Picture 2: Showing discontinued nurseries



Picture 2: Showing discontinued nurseries (Community Watershed nursery site)

Managers at NPCU and PIUs attributed the decision to centralize procurements to lack of capacity to establish and manage project nurseries in sub-counties and communities. Management further stated that the local suppliers within the districts could not supply quality seedlings in the required quantities and species due to limited technical capability.

However, field inspections in the districts of Tororo, Arua and Jinja revealed presence of flourishing privately-owned commercial nurseries. This is an indication that the supply of seedlings from privately-owned nurseries could have been possible.

The District focal persons interviewed also explained that establishment of nurseries as well as improving the quality of seedlings supplied within the districts would not have been so difficult if it had involved practical training of the required personnel and prospective suppliers on the required standards for tree seedling management at established demonstration sites.

Picture 3: Showing nurseries in districts



The centralized procurement has led to districts being supplied with stressed seedlings from distant areas and which are sometimes supplied in non-planting seasons, thereby affecting survival rate which leads to replanting in subsequent planting periods. We also noted instances of short deliveries and supply of un-requisitioned species as shown in **Table 4**.

Table 4: Showing anomalies identified in the centralized procurement of seedlings

Anomalies identified in the centralized procurement of Seedling	Affected Districts
Wrong species/Un-requisitioned	Jinja, Mbarara, Kasese
Poor quality and/or stressed seedlings	Kasese, Kabale, Mbarara, Arua
Out of season	Mbarara, Jinja, Arua, Kumi
Short deliveries	Arua, Tororo, Pallisa

The cost of seedlings from centralized purchases were noted to be on a higher side compared to cost of seedlings from NFA and other local suppliers in districts as showed in **Table 5**.

Table 5: Comparison of average unit cost at which FIEFOC purchases selected seedling species with prices charged by local dealers in Districts and NFA

Species	FIEFOC Costs (Average)	Local Dealers in Districts (Average)	NFA-(Tree Seed Centre)
	Shs.	Shs.	Shs.
Pinus caribaea	536	400	275
Eucalyptus grandis	250	113	150
Grevillea robusta	600	334	300
Albezia	600	400	300
Grafted oranges	4,357	3,667	2,500
Grafted mangoes	4,429	3,667	2,500
Calliandra carothythus	317	200	200
Maesopsis eminii	500	500	400

Source: FIEFOC Procurement Documents, NFA price list and Interviews

Management explained that their prices were high due to the high cost of certified seeds and other inputs, and prices incorporated tax. The suppliers also offered seedlings on credit.

The discontinuance of sub-county and community nurseries deprived the participating farmers of income and skills and also increased the cost of seedlings paid by the project.

Supply of stressed seedlings in off planting seasons of the districts is hampering the attainment of tree planting targets of the project.

Management Response:

It is true the project supported districts to set up sub-county and district nurseries. After consultations with ADB and GoU, these nurseries were later discontinued due to the districts failure to handle the two portfolios, that is, manage the nurseries as well as provide extension services to the farmers. As result, Management prequalified firms from lists of local private nursery providers provided by districts to participate in a competitive tender. The project has centrally procured the services of 54 firms

that are located in different regions of the project districts to supply tree seedlings to the farmers. An additional 15 firms were procured through open tendering process. To promote efficiency in the process, management developed seedling distribution guidelines to guide the verification seedling specifications and modalities of delivery, acceptance and verification. In addition, the district focal persons responsible for receiving seedlings at local level and firms responsible for deliveries were sensitized on the use of the guidelines.

Management would like to clarify that the anomalies indentified in Table 4 of the report should have been addressed by the districts as provided for in the guidelines. The project is in the process of verifying and calculating the losses incurred out of such inefficiencies to bring them to the attention of the districts. The project has planned to support the MWE in developing standards for nursery management to protect farmers from unscrupulous nursery operators and limit the spread of diseases. Community and sub-county nurseries are not sustainable and in this respect the recommendation to empower farmers to maintain nurseries as given in the report is not practical due to the reasons given above.

The price comparison of seedlings between the contracted suppliers and NFA is unrealistic since NFA is subsidized by government and donors. The project procures tree seedlings from NFA at the nursery quoted prices while the firms were procured in a competitive tender process to support meet project demand of tree seedlings and variety of species.

4.4 Project Implementation

4.4.1 Staffing

According to the implementation manual, the project was supposed to have 8, 20, 232 and 200 technical staff at NPCU, PIUs, districts and sub counties, respectively by 31st December 2007 as shown in the Appendix 7.

It was noted through document review and interviews that not all staff positions were filled by 31st Dec 2007 at various levels of project implementation. Some positions were still not filled at the time of audit (Nov 2010) as indicated in Table 6.

Table 6: Showing Staffing position

S/N	Implementation Level	Planned number of staff	Staff as at October 2007	Number of positions filled, 2010	Number of vacant positions, 2010
1.	NPCU	8	5	8	Nil (0%)
2.	Ministry of Water and Environment	10	6	10	Nil (0%)
3.	Ministry of Agriculture, Animal Industry and Fisheries	10	8	10	Nil (0%)
4.	Districts: DFOs	50	29	50	Nil (0%)
	AFOs	50	8	8	42 (84%)
	District Entomologists	33	20	23	10 (30%)
	Entomologist Assistants	99	0	4	95 (96%)
5.	Sub Counties: FRs	100	16	59	41 (41%)
	FGs	100	8	30	70 (70%)
	SFTOs	-	-	57	*(57)

From the analysis of the table above it was noted that all the positions in the NPCU and PIUs staff structures had been filled. However, the majority of the unfilled positions were at the districts and sub-counties yet this is where implementation takes place.

It was noted, however, that in the 12 districts visited, management had made efforts to address the staffing gaps in the project structure. In February 2010, management recruited and deployed sub-county forest technical officers. However, we noted that this recruitment and deployment of staff was made four (4) years after the start of the project and two years to the end.

The staffing gap was caused by local government's failure to designate staff as agreed with development partners in the appraisal report due to meagre resources.

The failure to fill vacant positions and late recruitment of staff, especially in the districts and sub-counties affected the delivery of technical services such as giving advice on seedling spacing, weeding and timing of planting.

Management Response:

As mentioned in 4.1.3 of this report, the responsibility to fill the vacant positions at local level is vested in local governments with guidance from Public Service Commission. Management would like to clarify that the recruitment of 72 Sub-county Forest Technical Officers (18 more being recruited) is a mitigation measure to support the sub-counties. The period from approval of the proposal to mitigate and the recruitment process took about two years. Management, however, agrees with the recommendation and is working with all stakeholders, Ministry of Public Service, Ministry of Local Government and Ministry of Finance to ensure availability of staff.

4.4.2 Participation of Women in the Project

According to the project appraisal report and implementation manual, women participation was supposed to be 50% in community watershed management training activities and 30% in other project activities (tree planting and apiculture).

An analysis of the project outputs by districts revealed that women participation in community watershed management and tree planting was 20% in each of the sub-components as shown in **Table 7** below. Analysis in apiculture was not done because data on gender participation was not captured by management, however, management explained that 25% of the participants were women. **Table 7: Showing gender participation in project activities**

Project Activity	Gender Participation			Percentage Women
	Women	Men	Total	
Community watershed management	7,271	29,410	36,681	20%
Tree Planting	2,256	9,235	11,491	20%
Total	9,527	38,645	48,172	20%

Source: OAG analysis of combined Outputs by districts

Women participation was low due to the existing social and cultural norms in which land is mostly owned by men. In addition, the communal land tenure system also hinders women participation. These challenges were not identified at project design. Failure to capture data on gender

participation in apiculture was due to inability by management to enforce the reporting requirement.

The low level of women participation in project activities has affected their representation and involvement in decision making. This may in turn affect their capacity to generate income and being empowered economically.

Management Response:

Data capture and analysis on the participation of women in project activities is weak and does not give the actual picture of women participation. Women participate in preferred specific interventions where data has not been collected, for example nursery operations, planting, weeding and so on. Women participate in planting and maintenance of the trees on land that is family or communally owned.

The project has developed a gender mainstreaming strategy that focuses on increasing access to project activities for women as well as their participation in project implementation and community representation and decision-making. The project will use the manual to improve on data capture and analysis on women participation.

4.4.3 Project deliverables

The findings on project deliverables are described below:-

Table 8: Showing Project deliverables

Activity	Planned	Actual	Performance level	Specific reasons advanced for the level of performance registered
Re-vegetation of Degraded Watersheds (ha)	14,900	20,778	140%	The good performance was attributed to involvement of the well-to-do farmers
Protection of Natural Forests (ha)	99,000	3,978	4%	The low level of performance was attributed to design defects that included NFA and UWA forests in the project target.
Establishment of Plantations and Woodlots (ha)	13,500	6,169	46%	Skepticism of owners of PNFs

Activity	Planned	Actual	Performance level	Specific reasons advanced for the level of performance registered
Establishment of Contour Hedges (km)	62,000	631	1%	The low level of performance was attributed to defects in the design which failed to come up with realistic targets
Maintenance of Forest/ Farm roads (km)	696	157	23%	No specific reason
Honey production (metric tonnes) in apiculture	1200	750	62.5%	Participants are organized in bee keeping groups and the activity is not affected b the land tenure systems.

As noted above, there were low levels of performance in all outputs, except in the re-vegetation of degraded watersheds and apiculture (honey production) where good performance was attributed to farmers embracing interventions promoted.

The low levels of performance were further attributed to:

- Lack of capacity to implement the project at national and local government levels.
- Ineffective monitoring and evaluation which lacked feedback and follow-up mechanisms to identify deviations and recommend timely corrective measures.

The failure by the project to realize projected deliverables/outputs has led to continued deforestation of natural forests, soil erosion in hilly areas and inaccessibility to planting sites by farmers.

Management Response:

Re-vegetation of degraded watersheds

The good performance in re-vegetation of degraded watersheds is attributed to involvement of willing farmers in project districts, sustained and focused sensitization of the farmers, and the subsidy provided through delivery of tree seedlings. In addition, the project has sensitized farmers in group formation which has encouraged participation.

The farmers have a careful and deliberate selection of species of tree seedlings that meet their needs (firewood, poles, soil erosion control, food security etc) within the land available.

Protection of Natural Forests from De-forestation

Management agrees with the recommendation.

Establishment of plantations and woodlots

Low level of performance is due to delayed procurement of seedlings under NDF support, which has been now addressed with the contracting of private nursery operators.

Establishment of contour hedges

Management clarifies that the actual performance is 1,200 km but agrees with the recommendation.

Maintenance of forest/farm roads

Management clarifies that the actual performance is 228 km and the low performance is due to the delay in procurement plan, but agrees with the recommendation.

4.4.4 Restructured Agricultural Enterprise Development Component

Before restructuring, the Agricultural enterprise development had four sub components, namely: small scale irrigation and crop development, soil fertility management, agricultural marketing and apiculture.

Save for the Apiculture sub-component, the three sub-components of small scale irrigation & crop development, soil fertility management and agricultural marketing were re-structured in preference to the rehabilitation of four (4) medium scale irrigation schemes of Doho, Olweny, Mobuku and Agoro.

It was noted that although the re-structuring was approved during the midterm review meeting of April 2009 and the preliminary cost for the four medium scale irrigation schemes estimated at Shs. 33 billion (UA 11,951,624), the actual cost (bill of quantities) was to be determined after the

consultancy for re-design of rehabilitation works is completed. Management has set aside an equivalent of Shs 44 billion (UA 15,926,260) for this purpose¹⁶.

By the time of audit (Nov 2010) the rehabilitation works had not yet started and according to management, the contractors for the environmental impact assessment and civil works were still being procured. According to the implementation roadmap, a final report from the redesigning consultants was expected by 15th January 2011.

The restructuring of the sub-components was mainly due to lack of a feasibility study which would have identified the impracticability of some project interventions (treadle pumps technology) and the inadequate capacity in MAAIF to implement the project. For example, by midterm review, the sub-component of soil fertility management had not even appointed a manager¹⁷.

The restructuring led to farmers missing out on benefits that would accrue from accessibility to markets. By the time of the restructuring, the project had spent and committed funds worth Shs. 5.9 billion (UA 2,134,800) on the three sub-components, as shown in **Table 9**.

Table 9: Showing funds spent on the restructured sub-components

Sub-Component	UA
Soil fertility management	862,700
Agricultural marketing	717,800
Small scale irrigation & crop development	554,300
Total	2,134,800

Source: OAG analysis of status of expenditure and committed funds

Management Response:

MAAIF has come up with a strategy that emphasizes agri-business that captures marketing focusing on value chain developments. This strategy encompasses the marketing of honey under the project. A division headed by an Assistant Commissioner has been created. The new project, Agricultural Technology

¹⁶ Midterm review Report

¹⁷ Financial Statements, June 2009

Agribusiness Advisory Services (ATAAS), emphasizes interventions in agri-business in the new NAADS and NARO integrated activities by promoting value addition at household level, bulking of produce, linking farmers to markets with emphasis on collective marketing.

Management would like to clarify that the restructuring of the irrigation sub-component in MAAIF was implemented and completed in 2009. Consultants have been procured to prepare designs and of bills of quantities for the rehabilitation of 4 irrigation schemes, and contractors for the rehabilitation works shall be in place by February 2011 and June 2011, respectively. Management is committed to ensuring that the contracts are concluded within the project period.

4.4.5 Project Branding

It is good practice for Government projects to be branded to ease identification.

During field visits, it was noted that FIEFOC project sites in all the twelve districts visited lacked identification signposts. Similar projects like NAADS, NUSAF were found branded.

The lack of signposts was attributed to failure by management to secure funding for this item despite several attempts to have it included in AWP&Bs.

It was therefore difficult to confirm whether the sites visited during audit were for FIEFOC project and the possibility of being taken to non FIEFOC sites cannot be ruled out.

Management Response:

It is true not many districts have erected sign posts on key project sites including demonstration sites. The project budgeted for erection of sign posts in the budget for FY 20010-11 and districts have been provided with funds. The lack of sign posts at the project sites is attributed to slow procurement processes at the district level. However the project requested districts to display lists of beneficiaries at notice boards. In addition the project has started the process to geo-reference all the beneficiaries. Using the GPS system, the location of all beneficiary activities will be easily identifiable.

4.5 **Monitoring and Evaluation**

According to the project appraisal report, a National workshop was supposed to be held in PY1 for all stakeholders to discuss the monitoring indicators, roles and responsibilities of stakeholders/institutions. NPCU was also supposed to establish an appropriate mechanism for data collection, monitoring and evaluation of project activities.

We noted that the National workshop was held on 19th-23rd November 2007. During this workshop, monitoring indicators, roles and responsibilities were agreed upon and a monitoring manual developed.

Through document review and interviews, it was noted that the NPCU, MWE PIU and the districts carried out M&E monitoring activities and produced reports. However no monitoring by MAAIF was done.

We also noted that there was no evidence of feedback by the NPCU and the MWE PIU to the districts and no follow up of recommendations at all levels.

We further noted that as part of M&E, a midterm review was carried out in April 2009 and made recommendations on strengthening capacity, restructuring the Agricultural enterprise development component, establishing regional technical support units to strengthen monitoring and backstopping and extension of project life among others.

By the time of audit, the project life had been extended to December 2012; however, the recruitment exercise and implementation of restructuring were still under way. The establishment of regional technical support units to strengthen monitoring and backstopping had not been done.

Failure to carry out monitoring in MAAIF was due to lack of an M&E officer. There was also no feedback to districts and follow up on the recommendations at all levels due to laxity of management.

Due to the above constraints, timely corrective measures were not taken on the deviations from project objectives, plans and outcomes.

Management Response:

It is true the project has been weak at providing feedback to the districts in a formal way. However, feedback has been done to the focal point officers by email which has in practice been the most used means of communication with the districts. Management has already improved on its approach by providing feedback formally to Chief Administrative Officers with copies to LCV Chairpersons and Resident District Commissioners.

In addition, the idea of establishing regional technical support units was replaced by strengthening M&E at the districts by supporting District Planners; and strengthening NPCU M&E unit by recruiting a Data Analyst and a Monitoring Officer. The District Planners have already been trained and guidelines for carrying out M&E provided.

CHAPTER 5
CONCLUSIONS

This chapter presents conclusions on planning, funding, procurement and implementation of Farm Income Enhancement and Forest Conservation (FIEFOC) activities.

5.1 Project Planning

5.1.1 Project feasibility Study and Design

There was no evidence to indicate that feasibility studies were carried out and as a result, key critical success factors and risks may not have been properly identified. Consequently, FIEFOC may not realize its objectives of improving incomes and livelihood of the poor subsistence farmers.

5.1.2 Targeted Beneficiaries

The revision of targeted beneficiaries by the Aide memoire of 11th -23rd August 2008 to include all farmers may render the project unable to fully achieve its objective of improving the incomes and livelihoods of the rural poor.

5.1.3 Planning at the Districts

- The minimal involvement of the sub-county technical officers in the planning process of the project affects proper identification of sub county priority needs and this may in turn affect the attainment of project objectives.
- The delay by districts to submit AWP&Bs implies that the implementation of activities cannot be on schedule.

5.1.4 Planning at the PIUs and NPCU

There were delays by PIUs and NPCU to submit AWP&Bs, which slowed down reimbursement and disbursement processes, which affected the implementation of project activities and the attainment of project objectives.

5.2 **Project Funding**

5.2.1 **Project Grant and Loan performance**

The current rate of grant performance of the project is on schedule but the loan performance is not. If the latter is not addressed, it may lead to poor overall project performance, extra administrative costs and the targeted results not being attained by 31st December 2012.

5.2.2 **Counterpart funding**

The Government has failed to honour its obligations, which is a violation of the financing agreement provisions and this can lead to suspension of disbursement of funds by the donors.

5.2.3 **Release and Utilization of Funds**

The project did not utilize all the requisitioned funds and this has affected the disbursement schedule of the loan by the ADB and NDF and the overall project performance. At this rate of funds absorption, the project, despite the extended period, may not achieve all the intended project objectives.

5.2.4 **Disbursements to Districts**

Disbursements to districts were not made regularly and this has led to districts' scheduled activities lagging behind due to inadequate funding of their AWP&Bs.

5.3 **Procurement of agro inputs**

The NPC and management of PIUs did not adhere to agreed guidelines during procurement of tree seedlings.

Discontinuance of district nurseries was an inappropriate decision taken without consulting the districts who are the implementers of the activities in the local communities, and this affected the trickledown effect which procuring locally would have contributed in the income generation cycle.

5.4 **Project Implementation**

5.4.1 **Staffing**

Local Governments failed to designate project staff in time. The delayed designation of staff and the existence of staffing gaps at sub counties where the project directly interfaces with beneficiaries negatively impacted on the implementation of the project among other challenges.

5.4.2 **Participation of Women in the Project**

Project appraisal and design stages did not take into consideration the land tenure system in the different parts of the country and how it would impact on the socio-economic set up of communities. Most of the envisaged project targets may not be achieved because the women are poor and have limited access to land.

5.4.3 **Project deliverables**

The low levels of implementation of project activities save for the re-vegetation of degraded areas may hinder attainment of the overall project objective of improving the incomes and livelihoods of the rural poor households.

5.4.4 **Restructured Agricultural Enterprise Development Component**

When projects are not branded and are implemented by multiple ministries and donor agencies in the same district, it is often difficult to identify who funded a specific development project within that district.

5.5 **Monitoring and Evaluation**

Management has not been able to address the challenges of project implementation due to inadequate feedback and follow up on M&E recommendations and this may affect the attainment of the overall project objectives.

CHAPTER 6

RECOMMENDATIONS

The audit recommends that:

6.1 Project Planning

6.1.1 Project feasibility Study and Design

- For future project planning, feasibility studies should be undertaken to determine project viability, identify potential risks and propose practical measures to address them to ensure the realization of project objectives.
- Proper feasibility studies for future projects should be undertaken to ensure that the proposed initiatives address the needs of the intended beneficiaries.
- Feasibility study reports should be properly filed for ease of reference.

6.1.2 Project Beneficiaries

- Project implementation should target the intended beneficiaries by following the project design during execution.
- Sensitization of the intended project beneficiaries about the project objectives and how they will benefit should be emphasized so as to create interest in participation in the project.

6.1.3 Planning at the Districts

- Sub-Counties should be involved in the planning process as stipulated in the project implementation manual to ensure that activities selected for implementation meet sub county priority needs.
- Districts should develop capacity to ensure effective participation in the planning process.
- NPCU and PIUs should hold regional planning meetings on time so as to meet stipulated timelines.

6.1.4 Planning at the PIUs and NPCU

- Management should ensure that the planning process, right from the Sub-Counties and districts, starts in time so that the delays do not spill over to the PIUs and the NPCU. This will ensure timely submission of the AWP&Bs to the Bank and timely release of funds.

- Management should expedite the recruitment of staff and in future ensure that requisite staff are recruited before the project is operationalised.

6.2 **Project Funding**

6.2.1 **Project Grant and Loan performance**

- The implementation of the activities of the restructured agricultural enterprise development component should be expedited to allow the utilization of funds set aside without further delay.
- In future, donor financial procedures should be adhered to as agreed to enable timely disbursement of funds.

6.2.2 **Counterpart funding**

- Government counterpart funding (both cash, salaries and in kind) should in future be properly identified and defined.

6.2.3 **Release and Utilization of Funds**

Management should urge district leaders to enforce the requirement of timely accountability of funds and sensitize them on the consequences of non-compliance to the terms and conditions stated in the memorandum of understanding.

6.2.4 **Disbursements to Districts**

Management should make timely disbursements to districts which account for funds in order to enable them undertake their planned activities.

6.3 **Procurement of agro inputs**

- Farmers should be empowered to improve their capacity to run and maintain sub-county and community nurseries.
- Centralized purchase of specialized species should be restricted to local suppliers on the prequalified list of the project to avoid transportation of seedlings over long distances.
- The deliveries of seedlings to the districts should be synchronized with the district planting seasons to ensure improved survival rates.
- District focal persons should reject poor quality seeds and deliveries in off planting seasons.

6.4. **Project Implementation**

6.4.1 **Staffing**

- For future projects, careful consideration on the human resource requirements should be made at design level in order to ensure smooth implementation of projects and to avoid emergency recruitments.
- The project should fill vacant positions at the districts and sub-counties to hasten the implementation of project activities.

6.4.2 **Participation of Women in the Project**

- Management should enforce the requirement to capture and report on gender participation in all project activities.
- Through sensitization, women should be encouraged to join and participate in the project.

6.4.3 **Project deliverables**

Protection of Natural Forests from De-forestation

- Management should expedite the process of having the targets under protection of natural forests reviewed to reflect what can be implemented within the remaining project period and harmonize their responsibility with UWA and NFA on the protection of natural forest reserves.
- Management should continue engaging owners of natural forests by sensitizing them on the benefits of opening and protecting forest boundaries.

Establishment of contour hedges

- Management should expedite the process of having the targets reviewed to reflect the actual hilly areas in the project and expedite the establishment of the contour hedges.
- In future, similar projects should be designed based on realistic data to avoid implementation challenges.

Maintenance of forest/farm roads

Management should speed up the maintenance of forest/farm roads which had lagged behind in order to meet the targets by the end of the project in December 2012.

Apiculture Promotion Sub component

Participating bee keeper groups should be sensitized on record keeping and be encouraged to report their outputs to district focal persons.

6.4.4 Re structured Agricultural Enterprise Development Component

- For future projects, stakeholders should ensure that staff to implement projects are available and have the time.
- Thorough feasibility studies should be done prior to project appraisal and design to ensure practicality at all project levels.
- The process of acquiring contractors for the rehabilitation of medium scale schemes should be hastened so as to be on schedule.

6.4.5 Project Branding

Management should expedite the funding of this activity for ease of identification of project sites to enhance accountability and transparency.

6.5 Monitoring and Evaluation

Management should enforce the requirement of giving feedback to the districts and following up on the recommendations as required in the M&E manual.

John F. S. Muwanga

AUDITOR GENERAL

KAMPALA

10th March 2011

ANNEXTURES

Annex 1: Glossary of Terms

Unit of Account

means the value of unit equivalent to one Special Drawing Right of the International Monetary Fund (IMF) as defined in Article 5.1 (b) of the Agreement establishing the Bank and in Article 1 (1) of the Agreement establishing the Fund.

Approval date

means the date on which the appropriate authority of the Bank approves the loan or grant.

Signature date

means the date on which the Borrower and the Bank sign the Loan Agreement or Protocol of Agreement. This date determines the start date for commitment fees, where applicable, and the repayment schedule of the loan.

Effective date

means the date on which the Bank determines that the Borrower has satisfied all conditions for effectiveness of the loan agreement.

The date of first disbursement

means the date on which the Bank determines that the Borrower has fulfilled all conditions precedent to the first disbursement.

Deadline for last disbursement/closing date

means the date specified in the loan agreement after which the Bank may, by notice to the Borrower, terminate the Borrowers' right to make withdrawals from the loan/grant account.

Bank

means African Development Bank

Borrower

means Government of Uganda

Disbursement letter

means a letter that provides the borrowers and executing agencies with specific instructions on disbursements for the particular loan/grant.

Logger

means a person whose job is to cut down trees.

Replanting

means replacements of seedlings that have failed to take root after transplantation

Plantation

means a collection of trees planted in 1 ha and above while

Annex 2: FIEFOC Original Districts and Sub-components in each

Region	Serial No.	District	Smallscale Irrigation & Crop Development	Soil Fertility Management	Apiculture	Marketing	Tree Planting	Watershed Management
Central	1	Masaka	X	X	X	X	X	X
	2	Wakiso	X	X				
	3	Luwero	X	X	X	X	X	X
	4	Sembabule	X	X			X	X
	5	Nakasongola	X	X	X	X	X	X
	6	Rakai					X	X
	7	Kiboga	X	X		X		X
Western	1	Hoima	X	X	X	X		X
	2	Kabarole			X	X		
	3	Kyenjojo			X	X		
	4	Kamwenge	X	X	X	X		X
	5	Kasese	X	X		X	X	X
S West	1	Mbarara	X	X	X	X	X	X
	2	Kabale					X	X
	3	Kisoro			X	X	X	X
	4	Bushenyi			X	X	X	X
	5	Rukungiri			X	X	X	X
	6	Ntungamo	X	X		X	X	X
N West	1	Arua			X	X	X	X
	2	Adjumani			X	X	X	X
	3	Nebbi	X	X	X	X	X	X
North	1	Lira	X	X	X	X	X	X
	2	Gulu	X	X		X	X	X
	3	Kitgum	X	X	X	X		X
Eastern	1	Pallisa	X	X			X	X
	2	Sironko	X	X	X	X	X	X
	3	Mbale	X	X	X	X	X	X
	4	Jinja	X	X		X		X
	5	Iganga	X	X		X		X
	6	Soroti	X	X	X	X	X	X
	7	Kamuli	X	X		X	X	X
	8	Bugiri	X	X		X	X	X
	9	Tororo	X	X		X	X	X
N East	1	Nakapiripiriti	X	X		X	X	X
	2	Kumi	X	X	X	X	X	X
	3	Moroto	X	X		X	X	X
	Total	36	27	27	20	33	27	33

APPENDICES

Appendix 1: Project Deliverables

Community watershed Management

- Re-vegetate 9,900 hectares of degraded watersheds through community groups (50% women) by Project Year (PY) 5. This target was revised during midterm review to 14,900 hectares.
- Protect 99,000 hectares of natural forests that are situated around community farmland and water sources by PY5.
- Establish 62,000 kilometres of contour hedges by PY5 to protect farmland.
- Open and maintain 330 km of natural forest boundaries annually for surveillance through support to community initiatives.
- Maintain 66 km (2 km per district on average) of forestry/farm roads annually to ease access to planting sites and farms.
- Establish 198 on-farm demonstration plots (1 ha. on average) by PY3 and to establish 198 water points for forestry nursery and household needs of women by PY3.
- Establish 18 Sub County and 100 community nurseries by PY3.
- Establish 165 forest management plans to be prepared for local forest reserves by PY5.
- Train 33,000 farmers (not less than 50% women) in agro forestry, forest conservation and nursery technology and plantation management by PY3.
- Train 33 forest officers (not less than 30% women) in extension, monitoring and work plan preparation by PY2.
- Train 99 Sub-County forest supervisors (not less than 30% women) in nursery management and primary record keeping.
- Conduct induction course for 99 service providers (not less than 30% women) to enhance their capacity to assist the project.

Tree Planting

- Establish 13,500 ha of well stocked plantations by PY5 through the support to household initiatives.
- Establish 162 on farm, well stocked demonstration plots (1 ha on average) by PY3.

- Establish 81 Sub-County nurseries in PY1.
- Establish 162 nursery water points by PY5 for the forestry nursery and household needs of women.
- Establish 54 tree seed stands (5 ha on average and two per district) by PY3.
- Maintain 108 kilometres of forest/farm roads annually.
- Construct 162 culverts on forest/farm roads to facilitate movement by PY3.
- Train 27 forest officers in plantation management by PY2.
- Train 27 M&E officers by PY2.
- Train 81 farmers as contact persons in forest plantation management by PY3.

Small scale irrigation & crop development

- Small-Scale Irrigation and Crop Development (covering 560 ha on 315 sites).
- Developing 80 rain water harvesting sites.
- Training 1,360 farmers and 140 staff.
- Help farmers to install 250 treadle pumps.
- Construction 216 km of market access roads.

Soil Fertility Management

- Establish/strengthen 28 district farm planning units.
- Establish 84 on farm demonstrations.
- Procure 28 soil testing and survey kit sets.
- Train 6000 farmers in Soil Fertility Management (SFM).
- Train 60 extension staff in farm planning.
- Train 60 extension staff in Soil Fertility Management.
- Sensitize 5,000 Staff and Partners in SFM practices.
- Air 224 radio and TV programs.

Apiculture Promotion

- Formation and strengthening of 120 bee keepers groups.
- Setting up of 40 modern demonstrations for improved honey and wax production in 40 districts.
- Organize study tours (internal and regional) for 100 bee keepers from 20 districts.
- Conduct 2 studies on cost benefit analysis and marketing systems of bee products.
- Train 40 extension staff in improved apiculture practices.
- Train 40 marketers and honey processors on quality honey needs, handling and marketing.
- Distribute 40 sets of apiculture equipment.

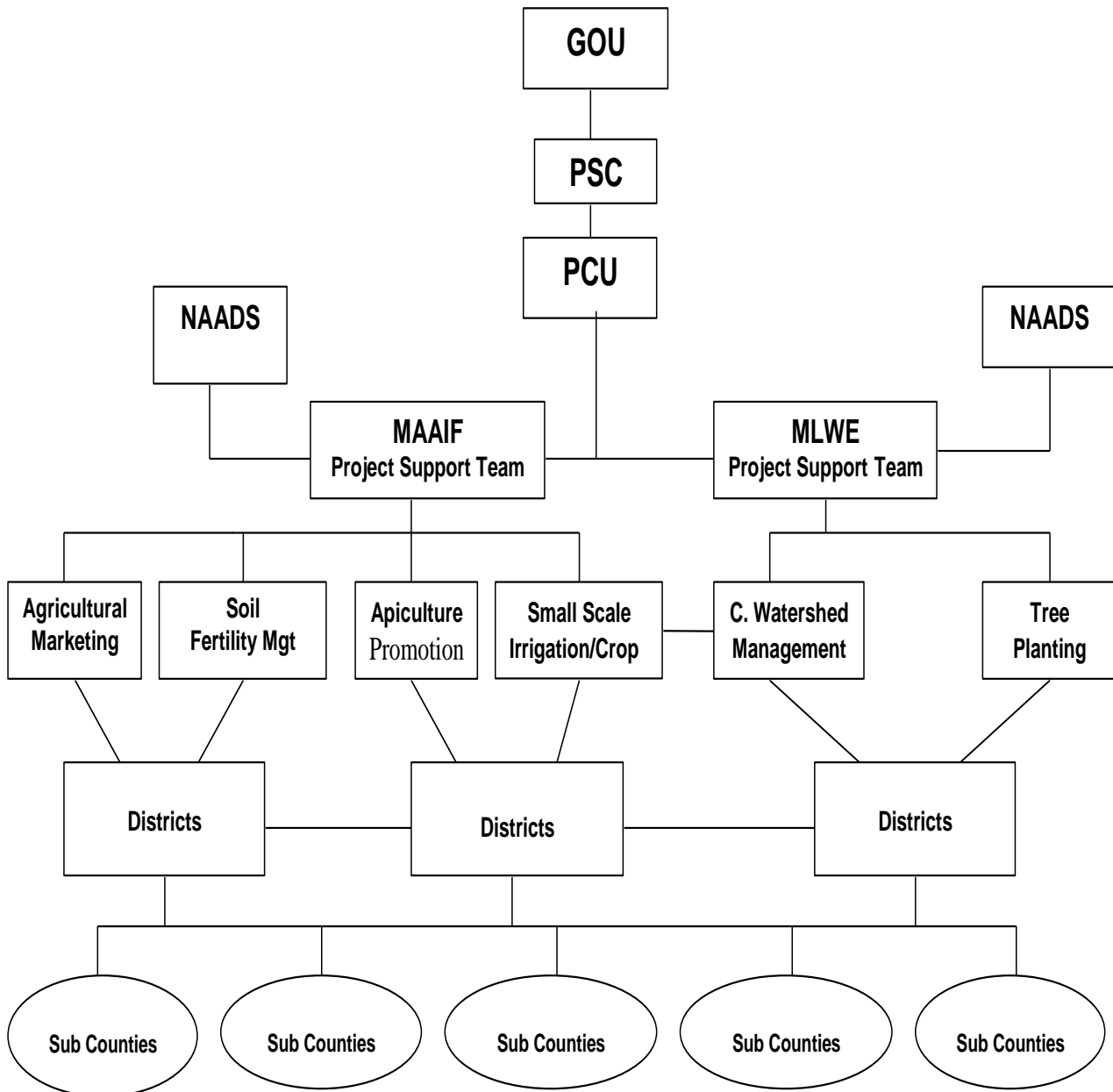
Agricultural Marketing

- Establishment of 7 market centres by PY4.
- 30 training/on-farm demonstrations sites established in each region by PY4.
- 6 farmer groups/exporters operating out grower schemes supported in certification and quality control by PY5.
- Baseline studies undertaken in each of the target districts as an input into a comprehensive strategy and action plan for the project by PY1.
- 3 market research studies undertaken in urban, regional and international markets by PY3.
- 40 smallholder farmers (including 10 women) to undertake regional study tours on market opportunities.
- Train 100 small-semi/commercial rural market intermediaries.
- Train 100 rural farm stockists.
- 6 exporters (at least 2 women) to undertake study tours on regional and international markets by PY5.
- Research undertaken on improved crop varieties for 6 strategic products for the project (including Irish potatoes, passion fruit, and processed products).

Appendix 2: Organization Structure

Annex 2

**UGANDA
FARM INCOME ENHANCEMENT AND FOREST CONSERVATION PROJECT
ORGANISATIONAL STRUCTURE**



Appendix 3: Sub-Counties Visited

Districts	Sub-Counties Visited
Kasese	Kyabarungira, Muhokya
Kabale	Hamurwa, Rubaya
Arua	Ogoko, Oluko, Manibe, Aroi
Lira	Adekokwok
Pallisa	Kibuku, Pallisa Rural, Kamuge
Tororo	Kwapa, Petta
Kumi	Kumi Rural, Mukura, Nyero, Kobwin
Wakiso	Masuulita
Mbarara	Nyakayojo
Rukungiri	Nyakagyeme, Buhunga
Jinja	Buyengo, Buwenge
Nakasongola	Lwampanga, Nakitoma

Appendix 4: Documents Reviewed

Document:	Purpose of Review:
-ADB/NDF Grant and Loan Agreements	-To ascertain project financing (amount and structure) -To determine obligations of the lender and borrower
-Annual work plans and Budgets (2005/06-2009/10)	-To obtain annual planned/targeted project activities and their related costs.
-Monthly and Quarterly Progress Reports	-To obtain actual executed project activities for comparison with planned. (Trace extent of attainment of planned/targeted activities).
-Monitoring and Evaluation Reports	-To ascertain the extent of supervision(execution of the oversight role by project management)
-Implementation Manual (February 2008) -Implementation plan -M&E Manual (February 2008) -M&E (Performance monitoring) Plan (October 2008)	-To understand the duration of implementation (project life span) -To gain knowledge about project execution, reporting and accountability arrangements -To capture dates of preparation/production of the manuals and their contents(e.g. Who should carry out M&E, when and how)
-Midterm Review Report, April 2009	-To ascertain the extent of implementation and challenges faced at mid-term together with the way forward.
-The Organogram/Project Organization Structure (2008)	-To establish the ideal(expected) project staffing(Levels/hierarchy and numbers)
- ADB Disbursement Hand book (January 2007) -NDF Disbursement Instructions(May 2006)	-To understand the ADB/NDF Loan and Grant disbursement policies and procedures as well as guidelines for withdrawal of Grant and loan proceeds.
-Project audited accounts (2005/06 – 2007/08).	-To verify the authenticity of project funds received and expended during the period of the VFM audit and also capture relevant observations of the regulatory audit that have a VFM connotation

	(implication).
<p>-Rules of Procedure for procurement of goods/ works and for use of Consultants (January 2000).</p> <p>-Guidelines for procurement under community based investment projects(September 2000)</p>	<p>-To internalize the policies, general principles and procedures followed as well as the arrangements necessary to procure goods/works and hire services of consultants under ADB/NDF funded projects.</p> <p>-To gain an understanding of ADB procurement guidelines for investments that involves community or farmer groups.</p>
<p>-Ministerial policy statements for MWE and MAAIF (2006/07 – 2007/08)</p>	<p>-To understand the Background, Policy direction, functions, organization and structure of the FIEFOC project implementing Ministries as well as their budget proposals (estimates of revenue/expenditure), challenges faced and planned activities.</p>
<p>-Project Appraisal report (August 2004) and Supplementary appraisal - Report(March 2005)</p>	<p>-To ascertain project background, objectives, components, implementation arrangements and expected deliverables/outputs.</p>
<p>-Parliamentary Resolution</p>	<p>-To obtain evidence of Parliamentary ratification, approval or authority for GoU to borrow funds</p>
<p>-Financial Procedures manual (January 2008)</p>	<p>-To gain knowledge of the Financial and administrative regulations required to guide project implementation as well as the internal controls necessary for project management.</p>
<p>-Aide Memoires Feb 2007, Aug 2008</p>	<p>-To capture key issues raised during supervision missions by development partners, their recommendations/way forward.</p>

Appendix 5: Interviews Conducted

	Unit	Designation	Purpose of the Interviews
			To ascertain/get:-
1	NPCU	National Project Coordinator (NPC)	<ul style="list-style-type: none"> - Reasons for the formation of the project and how it is structured - Roles and responsibilities of key players - Monitoring and Evaluation (M&E) function - Project coverage and how it interfaces with other district programs e.g. NAADS - Challenges and their impacts to the project - How management is to mitigate the challenges - Procurement system - Process of sensitization, training and backstopping
	"	Project Accountant	<ul style="list-style-type: none"> - Disbursements so far received by project - The accountability cycle - Challenges in accounting and suggestions for improvement - Funds disbursement cycle up to the districts
	"	Monitoring and Evaluation Specialist	<ul style="list-style-type: none"> - When and how M&E is carried out - How performance in deliverables is measured - Whether follow up on M&E reports is done - The current performance of districts in terms of outputs - Challenges in M&E
2	MWE Headquarters (PIU)	Project Coordinator- Forest Support Component	<ul style="list-style-type: none"> - Roles and responsibilities of key players in Forest Support Component (FSC) - M&E function in FSC and on spot assessment - Project coverage of the Component - Challenges and their impacts to the project - How management is to mitigate the

			challenges
3	MAAIF Headquarters (PIU)	Project Coordinator- Agricultural Enterprise Development Component	<ul style="list-style-type: none"> - Roles and responsibilities of key players in the Agricultural Enterprise Development Component (AEDC) - Reasons for the project restructuring - How far management has gone in kick starting the restructured activities - The role of M&E, how often it's done and follow up - Challenges and their impacts to the project - How management is to mitigate challenges - Sensitizations, trainings and demonstrations in the districts
4	Mubuku, Doho Irrigation Schemes	Managers of these Medium Scale Irrigation Schemes	<ul style="list-style-type: none"> - An overview of the planned rehabilitation of the Schemes - Progress so far in rehabilitation - Guide the Audit team for inspections
5	Selected districts		
	Kabale, Rukungiri, Mbarara, Kasese, Kumi, Pallisa, Tororo, Jinja, wakiso Arua, Lira and Nakasongola	Chief Administrative Officers (CAO's)	<ul style="list-style-type: none"> - An overview of the project in the district and to introduce the audit team to the project focal persons
	"	District Forest Officers (DFO's)	<ul style="list-style-type: none"> - The progress of the Forest Support Component - Funding - Working relationship with the MWE PIU and

			<p>NPCU</p> <ul style="list-style-type: none"> - Planning, Monitoring and reporting issues - General Sub-County performance. - Challenges and way forward for the project - Equipment received and their utilization. - Supervisions and backstopping conducted
	"	Forest Rangers, Forest Guards and Sub-county Forest Technical Service Providers	<ul style="list-style-type: none"> - Guiding the audit team to implementation sites - Locating farmer groups and other beneficiaries - Challenges in implementation
	"	Entomologists	<ul style="list-style-type: none"> - The progress of the Apiculture sub-component - Funding received - Activities undertaken in the restructured sub-components before restructuring and effects on farmers - Working relationship with the MAAIF PIU and NPCU - Planning, Monitoring and reporting issues - Performance of apiculture groups. - Challenges and way forward for the project - Equipments received and their utilization.
	"	Farmers	<ul style="list-style-type: none"> - What farmers have implemented - Quantities of tree seedlings planted - Support received from the project eg. Equipment - Sensitizations, trainings and demonstrations received - Group composition - Challenges faced and how the project can help

Appendix 6: Release and utilization of Funds by the Project

	Financial Years			
	2006/07	2007/08	2008/09	2009/10
	SHS'000	SHS'000	SHS'000	SHS'000
Approved and submitted budgets to Bank	26,691,916	33,676,884	53,953,705	50,275,359
Total Receipts	6,254,145	9,563,619	17,880,902	*28,127,887
Budget performance (%)	23	28	33	56
Bal B/F	-	4,989,439	6,713,325	6,174,992
Total Funds Available	6,254,145	14,553,058	24,594,227	34,322,879
Actual total expenditure in the year	1,264,706	7,839,734	18,419,235	*21,979,430
Financial Performance (%)	20	54	75	64
Bal C/F	4,989,439	6,713,324	6,174,992	12,343,449

Source: Analysis of Audited Financial statements and AWP&Bs

*Figures in the draft Accounts 2009/10.

Appendix 7: Expected Project staffing

S/N	Implementation Level	Designation	Planned number of staff
1	NPCU	NPC	1
		M&E Specialist	1
		Financial Management Specialist	1
		Project Accountant	1
		Procurement Assistant	1
		Gender Specialist	1
		Engineers (For SSI)	2
		Sub Total	8
2	MWE	Component coordinator	1
		Project Manager-Community watershed management sub-component	1
		Project manager-Tree planting sub-component	1
		Accountant	1
		Accounts Assistant	1
		M&E Officer	1
		Training and Planning expert	1
		Procurement specialist	1
		Gender expert	1
		Data and Information Officer	1
		Sub Total	10
3	MAAIF	Component coordinator	1
		Designated Project Manager (one for each sub component)	4
		Accountant	1
		M&E Officer	1

		Training and Planning expert	1
		Procurement specialist	1
		Gender expert	1
	Sub Total		10
4	Districts	District staff:	
		1. DFOs	50
		2. AFOs	50
		3. District Entomologists	33
		4. Entomology Assistants	99
	Sub Total		232
5	Sub Counties	1. Rangers	100
		2. Guards	100
		3. Sub/county Forest Technical Officers	Nil *
	Sub Total		200

* The project had not planned for SFTO's in the beginning

Appendix 8: Tree Planting beneficiary farmers by category

Name of district	Number of beneficiary farmers by category				Percentage of beneficiaries by category		
	Total beneficiaries	Category A: above 9 ha (22.2 acres) or 10,000 trees	Category B: 1 - 9 ha (2.4-22.2 acres) or 1,200-9,999 trees	Category C: < 1 ha (2.4 acres) or less than 1,200 trees	Category A farmers	Category B farmers	Category C farmers
Pallisa	598	0	41	557	0.0	6.9	93.1
Rukungiri	720	25	140	555	3.5	19.4	77.1
Kumi	515	0	8	507	0.0	1.6	98.4
Arua	354	18	129	207	5.1	36.4	58.5
Kabale	1516	1	73	1442	0.1	4.8	95.1
Kasese	258	8	46	204	3.1	17.8	79.1
Lira	153	6	64	83	3.9	41.8	54.2
Nakasongola	394	7	61	326	1.8	15.5	82.7
Average	563.5	8.1	70.3	485.1	2.2	18.0	79.8