Annual Review - Summary Sheet

This Annual Review was prepared by the NUTEC independent M and E contractor, Oxford Policy Management (OPM); additional field work and final editing was undertaken by the DFID Uganda SRO.

Title: **NU-TEC (Northern Uganda: Transforming the Economy Through Climate Smart Agribusiness**		
Programme Value: £48 million		**Review Date: 07/07/2017**
Programme Code: 204012	**Start Date: 03/11/2014**	**End Date: 31/03/2022**

Summary of Programme Performance

Year	**2015**	**2016**	**2017**					
Programme Score	**B**	**A**	**A**					
Risk Rating	**High**	**Major**	**Major**					

Summary of progress and lessons learnt since last review

This is the third Annual Review (AR) and it covers the seven-month period since October 2016 when the last review was completed. The review was brought forward in order to align with the AgDevCo global annual review. The project was considered to be in a high risk position in October 2016, providing further reason to bring this review forward. The review score is 'A', a slightly stronger A than in October 2016, which was very marginal. Outputs 1 and 3 score 'A'; Outputs 2 and 4 score 'B', but the weighting for Output 4 is lesser. The broad approach of the project, and the assumptions on which it is based, are again confirmed as appropriate, and delivery partners are beginning to work well. However, the risks to a market system approach in weak markets dominated by grant making and political challenges remain major.

Although the Market Systems Development (MSD) component achieved its outputs, it needs to improve its understanding of the markets, engage businesses and markets with more rigour, and build further on its nascent communications leadership for the project. AgDevCo also met their targets and both components responded satisfactorily to the recommendations made in the last AR. The Special Credit Fund (SCF) is still to be contracted; this major delay represents a risk for the project's overall development. While other components do not depend directly on SCF for their success, working capital is clearly a fundamental barrier to the agro-economy which the SCF fund will help address. The M&E manual has been prepared and is awaiting approval and reference sheets have been agreed for most indicators, and are in preparation for the remainder. However, establishment of the baselines has not been completed and is overdue. The logframe was revised and approved during the period, improving accountability and relevance; some further minor improvements are recommended in this report.

NUTEC is in a strong position to strengthen the donor response to the refugee crisis with a development and market oriented approach. Refugee and host community specific interventions are expected in the coming year particularly from the Market Development component. NUTEC MD has submitted refugee hosting community focused plans funded from the NUTEC budget, in partnership with another agency that is seeking funding from DFID's humanitarian project.

Performance of the contractors shows a positive trajectory. The project is adaptive, and its management is showing an ability to adapt to changing circumstances. The design of the project continues to be appropriate and is responding to developments in the national and political economy and to Northern Uganda's changing context. An adjustment away from a narrow commodity-based focus towards cross-cutting[1] and more diversified markets is welcome, and may need to go further. The partners implementing the MSD and AgDevCo components have presented generally credible projections for their delivery and measurement of results at output level, though there remain unanswered questions about the programme-wide evaluation of impact. The evaluative activities are delayed, though not critically.

[1] Such as aggregation, storage, mechanised services, etc

Palladium MSD team were understrength, especially following the resignation of their team leader in August 2016; but the team is now at almost full strength. Six interventions were formalised during the period reviewed and there is a pipeline of several more. Limited trading, attributable to the project, is already taking place. Several interventions in the opening portfolio were closed, providing learning but also reflecting that the analysis they were based on could have been better. The priority is to improve the 'hit rate' of interventions by improving the quality of business plans, and support work.

AgDevCo disbursed their first investment of $2m during the reporting period, providing significant reassurance that their approach has potential, after delays to several other planned investments. They have continued to build their investment pipeline and from their screening of 23 potential investments have Clearance in Principle (CIP) for four further investments. A disbursement to a second investee is expected in July. AgDevCo also significantly bolstered their staffing and pace of delivery, with the recruitment of an Associate Director.

£3.1 million of the £3.2 million DFID budgeted for the period was spent. This minor underspend, represents a significant improvement on the underspend reported in the last review. Underspends are largely due to the difficulty in accurately predicting the large investments made by AgDevCo; the MSD component is now on a steady expenditure path.

Contract amendments are outstanding for Palladium and OPM, as well as the contract finalisation of the SCF – these will be the priority actions for the new project DFID Senior Responsible Officer, arriving in July.

A risk around environmental and social safeguards has emerged in the MSD component, which requires prompt action and mitigation

Summary of recommendations for the next year:

See Annex 1 for a detailed breakdown of the current status of previous recommendations to the project. The priority action remaining from previous reviews is the development of a staple food market assessment, now becoming more critical due to the refugee crisis. Satisfactory progress is being made across the other recommendations.

New recommendations from this review are:

#1. Finalise contract amendments and contracting of the SCF component

#2. Revise the Logframe to reflect corrections for Impact 3 targets, and changes to Outputs 1.2 and 2.1; and Palladium to update indicator reference sheets based on comments provided by the AR.

#3. MSD component to strengthen intervention business cases with a clearer rationale, solid explanations of what will motivate entrepreneurs' implementation and scale-up, and inclusion of scale-up plans.

#4. Review environmental and social safeguard risks across the MSD portfolio.

#5. Review the prioritisation of markets made during the inception period; consider adjusting the portfolio to more strongly emphasize cross-commodity markets.

#6. All components to maximise the impact of their work on refugee hosting districts

#7. M and E contract to be closely monitored to ensure performance improves, and to support a strong VFM assessment in AR 2018

A. Introduction and Context

DevTracker Link to Business Case:	http://iati.dfid.gov.uk/iati_documents/5079902.odt
DevTracker Link to Log frame:	http://iati.dfid.gov.uk/iati_documents/5077152.xlsx

Outline of the programme
DFID Uganda is providing £48 million over 7.5 years (2014/15-2021/22) for NU-TEC. The project aims to support the North's transition from an isolated, conflict-affected and economically lagging region, with high vulnerability to climate change, into a dynamic wealth creating economy, supplying more and greater value products to Uganda and the surrounding region, and with greater resilience to a changing climate. Support is targeted at agribusinesses, rather than smallholders directly, although smallholders are the ultimate beneficiaries of better agricultural input supply, and greater demand for their produce.

The expected impacts as specified in the proposed revised logframe are[2]:

- 197,500 households (300,000 adults and 600,000 children) with improved incomes (household cash income derived from agriculture increased by 15%)
- 331,150 direct beneficiaries (1.76m when including indirect household beneficiaries) with improved resilience to climate change, of whom at least 35% are women

The key outcome is £81m additional turnover within businesses, attributed to project interventions.

The NU-TEC project consists of three main components, as well as an M and E component:

- Market Systems Development (MSD): Market systems development services, and technical assistance, to private agribusiness. Palladium are delivering this five year £14 million contract, to end in May 2020.
- Specialised Credit Fund (SCF): Delivery of medium term credit to agribusiness through a Ugandan financial institution, awaiting formalisation of the contract
- Long Term Investment and Capacity Building (AgDevCo): Long term equity and credit to agribusiness through AgDevCo, a not-for-project investment vehicle. £12 million has been committed to AgDevCo.

An £800,000 contract has been awarded to Oxford Policy Management for Annual Reviews, Monitoring and Evaluation. An additional £10 million is available to be allocated to areas of greatest emerging potential.

Context and overview
The context has become harder: GDP growth slowed in 2016, weighed down by regional instability, severe droughts and pests. Non-performing loans have increased rapidly, further weakening the financial environment[3]. Government's "Operation Wealth Creation" continues to provide nationwide handouts of inputs by Ugandan People's Defence Force, distorting market development. However, in Northern Uganda, private sector investments in agro-industry, trade infrastructure, large-scale farming and for the provision of goods and services to the sector continue, but in a challenging operating environment and with larger commercial farmers reporting losses for the recent season. With low volumes of staple crops in the latest harvest, prices are good for farmers and there is increasing competition amongst buyers for their crop.

Uganda recently surpassed Kenya and Ethiopia to become the largest refugee hosting country in Africa with more refugees continuing to arrive from South Sudan. New Refugees in northern Uganda currently number 1.2 million. Donors plan a more market and development oriented approach to their response, creating opportunities and an important role for NUTEC.

Working capital is ever more clearly identified as a major constraint to several of the MSD interventions and "work arounds" for two of them[4] to resolve this were made. This highlights the importance of the SCF component, which remains to be operationalised and will be positioned to work with the MSD to identify or innovate financial solutions

[2] The number of families benefitting from an income increase has increased from the previous target. The number of beneficiaries with increased resilience to climate change has decreased from 250,000 in the business case.

[3] http://www.focus-economics.com/countries/uganda

[4] Ngetta Tropical Holdings and Komar Ngetta both received funds from the MSD to assist them to install already procured plant, allowing them to deploy a similar amount of their own finance for working capital.

to resolve this common problem for Uganda's agri SMEs. The delay in starting the SCF component is therefore having an impact on the programme's potential and risk.

B: PERFORMANCE AND CONCLUSIONS

Annual outcome assessment

Progress of the programme is broadly satisfactory. Conservative impact targets for March 2017 were exceeded, with NUTEC successfully registering its first results at this level during the period, with farmer's experiencing increased resilience (impact indicator 3) linked to buying or selling something new attributed to the project. For example, 800 farmers benefitted from improved seed, delivered on time by a processor that Palladium supported to strengthen their out-grower system.

The outcome level results on 'change in sales' from the main partnership, with Komar Nghetta, were revised down from a level exceeding the logframe target, to one below, during the review process. Initially all the sales from Komar Nghetta were included in the results report, but following a further field visit it was established that the firm, while a start-up, had already had a relationship with the out-growers from a previous season, and the result was discounted to the increase from the level of sales from the firm's previous incarnation. The investment target however, was exceeded, as firms delivered on their plans to invest alongside project support.

These results overall, provides some reassurance that the output-outcome-impact linkages are valid, although the levels achieved, the approaches used, and the sustainability and scale up questions that remain, mean these linkages are still not fully proven and are subject to risk.

An experienced M4P specialist supported the review. They recommended that outcome indicator 4 (% of interventions with a systemic effect) be reduced to be in line with historical achievements of M4P projects, as the transformative ambition will be adequately realised by the lower, more realistic figure.

Overall output score and description

Three of the most critical output targets (out of the six) were met or exceeded. The outputs not realised relate to: (i) the SCF, which is not contracted yet; (ii) to an assessment of evaluation evidence, which is somewhat premature and is not critical; and (iii) to the implementation of AgDevCo's gendered capacity building plans, where it is also too early to make that assessment, but where significant progress has been noted with AgDevCo's first investee.

The score of A to NU-TEC represents satisfactory progress, aligned with plans, but with some delays.

Table 2: Summary of progress against logframe targets

		Sept. 2016	March 2017	March 2018	March 2019	March 2020	March 2021	Target. December 2021
Impact Indicator 1								
Number of households in northern Uganda with 15% real increase in agricultural income	Planned		0	24,580	66,200	130,200	171,000	197,500
	Achieved		0					
Impact Indicator 2								
Number of direct beneficiaries (farmers buying from or selling to supported businesses) with increased resilience to climate change through improved use of inputs, practices, or post-harvest handling; or through better access to output markets	Planned		2,420 F=768	68,600	123,150	213,800	310,850	331,150
	Achieved		5,104 F=935					
Impact Indicator 3								
Number of indirect beneficiaries (household members) with increased resilience	Planned		12,100	343,000	615,750	1,069,000	1,554,250	1,655,750
	Achieved		25,520					
Impact Indicator 4								
Significant additional benefit for women attributed to project's gendered approach, commensurate with project/intervention's stage of progress	Planned		qualitative assessment concurs	qualitative assessment concurs	qualitative assessment concurs	qualitative assessment concurs	qualitative assessment concurs	qualitative assessment concurs
	Achieved		Insufficient evidence and data to assess					

Outcome Indicator 1 (£000s)								
Change in sales (i.e. cumulative, additional turnover to date) of AgDevCo and Palladium supported businesses attributed to project interventions	Planned		210	3,789	22,0778	44,008	67,419	80,567
	Achieved		139					
Outcome Indicator 2 (£000s)								
Value of investment in business plans developed in conjunction with Palladium for Palladium supported businesses	Planned		170	1,044	4,554	9,349	15,844	21,136
	Achieved		366					
Outcome Indicator 3 (£000s)								
Profitability (EBIT) of AgDevCo supported businesses (AgDevCo only)	Planned		0	704	1,628	2,219	3,006	3,300,000
	Achieved		0					
Outcome Indicator 4								
Proportion of business models established (Palladium)/ investments (AgDevCo) supported by NU-TEC, which have a systemic[5] effect	Planned		0%	22%	67%	75%	75%	75%[6]
	Achieved							
Output Indicator 1.1 (£000s)								
Value of gendered investment plans developed in collaboration with supported businesses	Planned	227	433	2,428	8,353	17,862	29,776	41,420
	Achieved		1,980					
Output Indicator 1.2								
Number of Palladium supported businesses agreeing high quality, gendered business plans	Planned	2	8	29	49	75	82	82
	Achieved		8					
Output Indicator 2.1								
Value of new financial products and services extended by implementing partner, attributed to project support (disaggregated by type of service, and source of capital (DFID vs non-DFID capital))	Planned	n/a	Contract established and team operating on ground	TBD	TBD	TBD	TBD	TBD
	Achieved		Not established, contracting delayed but ongoing					
Output Indicator 2.2								
Proportion of annual gendered workplan / capacity building plan for the FI completed	Planned	n/a	n/a	TBD	TBD	TBD	TBD	TBD
	Achieved							
Output Indicator 3.1 (£000s)								
Value of AgDevCo investments made in agribusinesses serving northern Uganda	Planned (DFID finance invested)	2,115	2,115 (+600 cleared in principle)	6,923	10,308	10,308	10,308	10,308
	Additional capital leveraged				7,212	9,808	16,659	16,659
	Achieved (DFID)		2,124 (+2.1 - 3.6m					

[5] Systemic change is change in underlying causes of market system performance that can bring about a better-functioning market system. A 'systemic' change has three key characteristics: (i) Scale - systemic changes influence and benefit a large number of people who were not directly involved in the original intervention; (ii) Sustainability - systemic changes continue past the end of the programme, without further external assistance; and, (iii) Resilience - market players can adapt models and institutions to continue delivering pro-poor growth as the market and external environment changes. http://www.enterprise-development.org/wp-content/uploads/Systemic_Change_DCED_Guide_August2014.pd

[6] Following discussion with the partners, and M and E component, we have agreed to reduce this figure to 35% one more in line with similar projects around the world.

			cleared in principle)					
	Achieved (leverage)							
Output Indicator 3.2								
Proportion of gendered capacity building plans for all potential investees implemented according to schedule	Planned	50%	50%	75%	75%	75%	75%	75%
	Achieved	0%	Too early to score					
Output Indicator 4.1								
% of M and E annual workplan completed as planned, or of equivalent value to that planned	Planned		85%	85%	85%	85%	85%	85%
	Achieved		50%					
Output indicator 4.2								
Evaluation evidence quality and use, as scored 1-5 by evaluation reference group. (1 = very limited value, 5 = high quality data and high use)	Planned		1	2	3	4	5	5
	Achieved		Not scored due to delays to inception report					
Output Indicator 5.1								
% of additional finance allocated	Planned		0%	35%	85%	100%	100%	100%
	Achieved							

Key lessons

The first three key lessons relate directly to the understanding of systemic change and designing interventions:

1. The **rationale for MSD's interventions has not always been clear or rigorously assessed, leaving some exposed to predictable problems**. After nearly two years, and substantial market diagnosis and research, it is important to marshal this evidence, apply it to the interventions, and be clear what is the problem that interventions are addressing and why a specific intervention is the best way to address the problem. Intervention plans must explain why entrepreneurs will be compelled to implement the pilot interventions; how they will benefit and why their interests align with the intervention. The failure of the first two interventions, developed as 'quick wins' under the inception period are the main sources of learning.

2. All **the interventions should have a clear scale-up plan** to explain – if a specific pilot works – how the model can be replicated and expanded across the programme area through market and commercial dynamics. This will elevate the ambition of NU-TEC as it moves beyond an enterprise support programme towards a more transformative market development programme.

3. The analysis needs to be better informed by developing the **operations-level understanding of business processes and incentives** in the local context generally, and for partners specifically. This will improve the quality of business plans and the conversations with partners. For example, oil seed production, marketing and processing are prominent in the portfolio and so it is important to be conversant with: the dynamics of the vegetable oil trade, investments and incentives/disincentives for them; political economy in the sector; how an oil milling business is managed on a day-to-day basis; how stock needs to be managed; what the costs and margins are for the various elements of the supply chain; how the markets for the various products function, in terms of volume and value; and, who else is in the market, including donors, government and NGOs, and how they influence the NUTEC value proposition. Many of the partners will have received or be receiving support or patronage from elsewhere and it is also important to understand the nature and impact of that.

4. The **refugee crisis** that is unfolding in West Nile is very significant and it will be protracted. All of the refugees are consumers and many will be producers of food; their livelihood outcomes will be impacted by the functionality of their markets and NUTEC is positioned to respond to the development of those. That response will need to learn from similar experiences and align with the many other –often short term— interventions of other partners.

5. The prospects of having a **transformative impact on gender equity** in Northern Uganda are challenged by the local context where men retain strong control over the means of production and family assets. Interventions

that empower women's access to production and marketing opportunities are being identified and developed, and generally the business cases are gendered, but addressing broader structural relations and power structures to get at the root cause of inequality and address norms and systems that exacerbate this is likely to require strategic alliances with civil society organisations and NGOs. The notion of gender responsive programming is unfamiliar to businesses in Northern Uganda; this will require innovative approaches and specialised skill sets. Gendered indictors at output level have now been introduced in the logframe and this will help demonstrate the integration of gender and strengthen the accountability for results.

6. Several markets that are not addressed by the project have the potential to generate benefits, namely: staple food market systems that have a high impact on poverty reduction (beans, cassava, maize); small grains, such as millets and sorghums; advances in seed technology and varieties, such as hybrid rice; fertilisers; digital technologies and ecologies for financial services, marketing and extension; contracting and advisory services; mechanisation beyond land preparation, such as threshing, drying, cleaning and storage.

Key Actions

These are captured in the overall recommendations on page 2, with more details in the output scoring below.

Has the logframe been updated since the last review?

Yes, the logframe was substantially revised since the last AR. Indicators were adjusted to be able to more readily track the component managers' performance and targets were adjusted to reflect the changed timing of the annual reviews.

The scope, ambition, and VfM of the project have increased, reflecting the lessons and experience of the inception period. The impact target has been increased to 197,500 households with a 15% increase in agricultural income. A second target, of the number of households with increased resilience to climate change, has been adjusted to count direct individual beneficiaries, to enable better measurement of gender impacts. The figure has increased to 331,150 direct beneficiaries, of whom 111,275 are women. A third impact indicator has been added to capture the total number of beneficiaries within the household, with the target being 1.76 million beneficiaries[7]. A qualitative impact indicator has been added: Significant additional benefit for women attributed to project's gendered approach.

This review recommends a reduction in the number of business partnerships (output 2.2) from 29 to 20 in 2018. The value of those partnership investment plans, however, will remain the same.

[7] The earlier calculation was 5x the direct beneficiary number, premised on an average household size of five. But, the 2014 Census indicates an average household size of 5.3 for Northern Uganda and so the correct calculation for the total number of beneficiaries would be 5.3 x 331,150 = 1,755,095. A footnote is also required for the logframe to note the appropriate double counting in covering impact indicators 1 and 3 (all results under impact indicator 1 (on income) qualify also as results under Impact 3 (resilience)

C: DETAILED OUTPUT SCORING

Output Title	1. Businesses operating in agricultural markets are supported to change practice and increase investment (through MD), in a way that especially benefits women		
Output number per LF	1	**Output Score**	**A**
Risk:	Major	Impact weighting (%):	35%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	Yes

Indicator(s)	Milestones	Progress
1.1 Value of gendered investment plans developed in collaboration with supported businesses. (£000s)	£433 by March 2017	AR 2017: £1,980
1.2 Number of Palladium supported businesses agreeing high quality, gendered (business plans)	8 by March 2017	AR2017 = 8, though quality is an issue with some plans

Key Points

- The AR's assessment is to assign an "A" to this Output, because it has very substantially exceeded requirements on one indicator and met the other.
- There are some reservations about the quality of the plans and agreements in the context of market systems development and their potential to stimulate systemic change, and so despite 1.1 being substantially exceeded, assigns an A to this output, rather than an A+. See Key Lessons, above.
- Four new intervention agreements were signed since the last AR six months ago, but two of the four that were active previously – the "Quick wins" opening portfolio - have now been closed. Market systems development programmes are tolerant of intervention failure; what is most important is that there is a process of reflection that informs increasingly better decision making as the programme proceeds. The AR is satisfied that the MSD understand this and have established procedures and are developing the right learning culture.
- The project SRO undertook a field visit specifically to investigate attribution of the plans to DFID involvement. The example intervention examined provided good evidence of the importance of MSD's support.
- The social and environmental risks of working with semi-formal businesses are becoming apparent as interventions begin to have impact

Recommendation

- DFID and Palladium should agree lower targets for Indicator 1.2 in 2018 from 29 to 20, reflecting the fact that a smaller number of partnerships should generate the scale required at lower risk.
- Social and environmental risks should be assessed and mitigated where arising.

Output Title	2. High-quality financial products and services are introduced to businesses serving agricultural markets in northern Uganda in a way that especially benefits women		
Output number per LF	2	**Output Score**	**B**
Risk:	Major	Impact weighting (%):	25%
Risk revised since last AR?	Yes – up from moderate	Impact weighting % revised since last AR?	Yes

Indicator(s)	Milestones	Progress
2.1 Value of new financial products and services extended by implementing partner, attributed to project support (disaggregated by type of service, and source of capital (DFID vs non-DFID capital))	Contract established and team operating on ground by March 2017	AR2017. The contract has not been formalised, although substantial progress towards this has been made.
2.2 Proportion of annual gendered workplan / capacity building plan for the FI completed	To be determined	N/A for AR 2017

Key Points

- The key issue in determining this output as 'B' is the delay to the contracting and implementation of the Special Credit Fund. Contracting has progressed to an advanced stage however. A 'C' in not appropriate as the contract is close to completion.
- Delays were due to the DFID Portfolio Quality Review process which is now complete.

Recommendations

- Design changes to the SCF will be required, as there will only be four years of project life remaining once the contract is started.
- A logframe revision may be required to reassess the estimated targets for this output, once the contract has been agreed.

Output Title	**3. Business development support and investment provided to businesses serving agricultural markets in Northern Uganda**		
Output number per LF	3	**Output Score**	**A**
Risk:	Major	Impact weighting (%):	30%
Risk revised since last AR?	Yes, from moderate	Impact weighting % revised since last AR?	Yes

Indicator(s)	**Milestones**	**Progress**
3.1 Value of AgDevCo investments made in agribusinesses serving northern Uganda	£2.1 million (+£600,000 cleared in principle)	£2.1 million legally committed; and upto £4.5million[8] cleared in principle
3.2 Proportion of gendered business plans for all potential investees implemented according to schedule	50%	Too early to measure quantitatively but with good progress identified

Key Points

- Although the target has been reached according to indicator definition (based on legal commitments made by AgDevCo), only £1.64m of the £2.1m has been disbursed from AgDevCo into the partner businesses. However, the value of commitments cleared in principle, and the influential engagement of pre-investment businesses, mean this output scores an A.
- £1.64m was disbursed to a cotton and sesame trader with a large out-grower scheme, and with a significant part of their business being organic and/or Fair Trade certified. The investment is working capital, allowing the firm to purchase from smallholders for the next three years. It is part of a syndicated local facility with other impact lenders, including LAFCo. The firm used all the available funds to support its December 2016 buying of 4,620 tonnes of cotton from an equivalent of 3,929 farmers. Buying the crop from 2,206 of these farmers was made possible by the AgDevCo investment. A buoyant international market and the additional working capital provided by AgDevCo, increased effective demand for North Uganda's cotton harvest with ginners competing on the prices they were paying farmers, and supports the businesses growth trajectory.
- A disbursement of $450,000 to a second investee is expected in July, while significant consultant support is being provided to a third, with a view to disbursing in Q3 2017. Two further Commitments in Principle have been approved by the AgDevCo board in June, although two other CIPs have fallen away and third that reached the late stage 'commitment' level has also been dropped (this accounts for the increase in risk assessment). AgDevCo has a longer-term pipeline that exceeds their current allocation, however, giving reason to be optimistic that they will realise their life-of-project targets.
- Work has started on the gendered capacity building plans for the cotton/sesame trading firm (above) on time in relation to the AgDevCo partnership cycle. A gender inclusive screening has been conducted, where the

[8] AgDevCo's clearances in principle (CIP) are generally made for estimated investment requirements. The subsequent analysis and negotiations with the client determine the precise size of the investment. The figures are the most up to date, ie three months beyond the logframe target date. Previous levels were also far in excess of the CIP target.

company scored a '2' indicating that they are 'gender aware'. Further work is required to develop and agree a more detailed plan with the company and this is planned to be completed by Q3 2017, once the cotton and sesame season has closed. This delay merely makes it too early to judge the nature of those plans, rather than giving cause for concern. Other potential investees are being exposed to, and encouraged to adopt gendered plans, but at too early a stage to consider progress against an explicit schedule. This indicator should be assessed quantitatively in 2018.

Recommendations

- Risk should be Major, but should continue to be revisited as implementation experience begins to accrue, with an expectation that by the time of the 2018 Review it can reasonably be expected to be revised downward to Moderate. By this time, the pipeline will be maturing with early indications of investment performance beginning to emerge, generating results-based evidence.
- A milestone of 50% completion for Output 3.2 (Proportion of gendered building plans for all potential investees implemented according to schedule) was overly ambitious in terms of the number of companies at a stage at which plans could be effectively assessed. The review suggests that 50% remain the target for AR 2018.

Output Title	**4. High quality M&E system in place**		
Output number per LF	4	**Output Score**	**B**
Risk:	Moderate	Impact weighting (%):	10%
Risk revised since last AR?	No. This is a new Output	Impact weighting % revised since last AR?	N

Indicator(s)	**Milestones**	**Progress**
4.1 % of annual workplan completed as planned, or of equivalent value to that planned	85%	AR 2017 = 50%
4.2 Evaluation evidence quality and use, as scored 1-5 by evaluation reference group. (1 = very limited value, 5 = high quality data and high use)	1	AR 2017 = 0 No basis for evaluation by the AR as the ERG has not met to discuss this.

Key Points.

- Approval the Inception Report and M&E Handbook took much longer than planned, reflecting the adaptive nature of the project, but also contractor delays in establishing their team and work programmes, including a change in team leader. The final approvals were given in April 2017.
- The troubleshooting of the baseline design, data collection and the preparation and presentation of the project's baselines is ongoing but according to plan, should have been concluded in 2016. This needs to be concluded as a priority.
- The Evaluation Reference Group (ERG) has been established and was active in discussing the contractor's inception report in Q1 2017. However, turnover is a challenge, with the Evaluation adviser changing, the SRO changing, and likely the external consultant also changing in the next 6 months. The remote location of the evaluation adviser and external consultant also provided a challenge
- OPM have had an active dialogue with DFID and the implementing partners on logframe indicators, definitions and on monitoring and reporting processes. This is now substantially complete and adequate.

Recommendations

- Close monitoring of the contract is required to ensure delivery gets back on track, and avoidance of creating new project risks.
- The incoming SRO will need to establish the ERG on a firm footing, considering a smaller group with fewer remote participants. The next review should be of baseline data and updated evaluation plans in Q3 2017

Output Title	**5. Opportunities for additional financing identified**		
Output number per LF	5	**Output Score**	**Not scored**

Risk:	Moderate	Impact weighting (%):	0
Risk revised since last AR?	No.	Impact weighting % revised since last AR?	Yes

Indicator(s)	Milestones	Progress
5.1 % of additional finance allocated	0%	AR 2017 = 0%

Key Points

This Output relates to the allocation of the £10 million of the NU-TEC grant which are not currently allocated to an operational component. No target was assigned for the period reviewed though early-stage opportunities, for example on the implementation of land reform, have been discussed. Both expansion to better address the refugee crisis, and expansion to existing providers delivery plans are possible uses of funds. Decisions are due in the following reporting year with regard to 35% of the additional funding.

D: VALUE FOR MONEY & FINANCIAL PERFORMANCE

The table below shows the status of the NU-TEC budget; from the business case estimate, through the value of the contracts awarded to date, the AR15, AR16 and AR 17 expenditures, total expenditure to date and balance on the budget. The programme spend during the review period has been on track with spend of £3.06m against the planned £3.2m, representing a 95% spend. The payments were to: Palladium (£1.06m); AgDevCo (£1.98); and OPM (£0.21). The accelerations required to meet planned expenditure seem plausible, assuming the SCF component is launched.

NU-TEC Budget Status AR 17 (£M)							
	Budget	**Contract**	**Spend at AR 15**	**Spend at AR 16**	**Spend since AR 16**	**Total Spend to AR 17**	**Budget Balance**
Long-term Investments and Capacity (AgDevCo)	12	12	0.455	1.195	1.98	3.63	8.37
Market Systems Development (Palladium)	15	14.4	0.055	2.42	1.06	3.53	11.47
Specialised Credit Fund	10	10	0	0	0	0.00	10.00
Monitoring, Evaluation, Review and Audit	1.025	0.8	0.074	0.187	0.03	0.21	0.81
Design and Appraisal	0.1	0.074		0.074		0.07	0.03
Additional financing	10	0	0	0	0	0.00	10.00
Total	**48.125**	**37.274**	**0.584**	**3.876**	**3.06**	**7.44**	**40.68**

Key cost drivers and performance

The key cost drivers for NU-TEC remain as reported in the previous Annual Review. For the MSD component these are consultancy fees and the management overheads associated with managing a large team of specialists and staff. Cost drivers in the AgDevCo are driven by the capital costs of investment (c. 80%), and the technical assistance required to develop and then oversee the delivery of those investments (c.20%). In addition, there is a management overhead fee pegged to agreements originally made by other DFID offices with AgDevCo. Spending in both cases appears to be well aligned to the needs of the programme, notwithstanding earlier underspends due to the slow initial inception period. In the case of the Specialised Credit component, costs drivers will be similar to AgDevCo's, but with a higher proportion (40%) on technical assistance and a lower figure (60%) on capital.

VfM performance compared to the original VfM proposition in the business case

The revision of the logframe implies an improved ratio of results to costs to the original logframe, with some increases in impact level results (benefits to farmer households), although there are falls in the expected value of outcome (business investment and turnover).

All but one (Special Credit Fund) of the contracts have been formalised, with the following results:

- For the contracts awarded so far, there have been savings of approximately £1m made against the budgets proposed in the Business Case budget.
- The contract with OPM for the Monitoring and Evaluation of the programme is in the process of being revised upwards by circa 50%, reflecting increased higher complexity than originally anticipated.
- Palladium's spend is largely in line with projections, though they have demonstrated cost savings on several travel cost related reimbursables.
- AgDevCo's lower than planned spend matches slower than expected progress, rather than better VfM.

A critical element of VFM is the quality of the project teams and outputs against expectation and cost. As discussed above, the quality of intervention plans and business cases has been lacking in some respects. The relative slow start (see AR's 2015 and 2016) to the project that was a result of this weakness, reflecting some initial VFM problems. Recent additions to the teams suggests this problem is now being rectified.

Assessment of whether the programme continues to represent value for money

The costs of the project start-up phase dwarf the relatively limited benefits accruing so far, but this is expected for a market development project. The strengthening of analysis, strategies and investment pipelines is an ongoing process, and the milestones produced to date offer adequate VFM in most cases. The final assessment of VFM will remain uncertain, until the long term success of these high risk, high reward interventions becomes clearer.

For the two main active components, there is now a better understanding of what outputs, outcomes and impacts can be expected, and these are presented in the programme-wide theory of change and revision of the logframe's indicators and targets. These are premised on the inception period's experience and the strategies and pipelines developed. The gross results are also discounted by the general success factors for similar M4P programmes. The Annual Review team examined the various calculations and models that generate the projected results and are satisfied with those. At this time, though noting that implementation experience is still limited, the projected results and impacts appear reasonable and realistic but the MSD needs to be able to more clearly identify how it will bring about the systemic change that makes the case for its transaction costs.

VFM metrics

Currently the most significant VFM metrics refer to the value of outcomes and impact results for the cost of the project. Impact cost ratios have improved over the reporting period, with the revision of the logframe targets at this level based on early results, although these remain subject to high risks. The comfortable achievement of the value of investment plans delivered by Palladium, and the value of the pipeline which AgDevCo believe they can deliver with the same input resources, also indicate improvement in economy and efficiency. Effectiveness, however, lies in the scale of transformative change, currently captured by the log-frame indicator on the % of systemic interventions. This has reduced, but reflects the understanding that fewer transformative interventions are required to deliver meaningful, sustainable and widespread change in the northern agricultural markets.

For the next AR, this will be a specific focus of the work of the M and E contractor, supported by much more emerging quantitative data from implementing partners, particularly around the level at which interventions are adopted by other businesses and farmers beyond the project, and thus meeting the definition of systemic change.

Quality of financial management

The implementing partners continue to adhere to reporting expectations, providing financial statements as required. Palladium's report presents a cumulative spend from the project start and funds requested, while AgDevCo's report provides a breakdown of expenses incurred, balance on account and funds requested. The reports are reviewed by the Programme Manager, and approved by the Programme SRO before any disbursements are made.

NU-TEC programme was audited by DFID's Internal Audit Department (IAD) for the year 2016/17 and the final report was issued on 14 February 2017, with no concerns expressed around the quality of financial management.

During the reporting period, Palladium contracted a local audit firm, PricewaterhouseCoopers (PWC) to review their books of accounts. A draft final audit report together with the Management Letter, and Management Response were reviewed by DFID. The report gave unqualified opinion to the books of accounts, but has recommended further review of some issues, which is currently underway.

As reported in the last annual review, AgDevCo Uganda financial transactions for the first 16 month to December 2016 were audited by the external auditors (BDO East Africa) and the auditors gave unqualified opinion. No major issues were highlighted in the report. The report highlights financial risks that include credit, foreign exchange, cash flow, and market price risks, aligned with DFID's existing understanding.

Use of result based payments

DFID and Palladium are trialling a results based payment system, using a hybrid contract that pays a proportion of costs based on input costs and a proportion based on delivery of pre-determined outputs. Outputs are pre-determined at the beginning of each reporting year, and could, in principle, be marked as 'to be determined in month 6, for delivery in month 12' to enable the required flexibility and to avoid locking the contractor into deliverables which become less relevant. One particular innovation that allows this to be applied to an adaptive programme is one pilot payment based on 'two out of four [pre-determined outputs] ' being delivered. Given the uncertainty of the context, and the flexibility required this allows DFID and Palladium to have a contract that rewards delivery while allowing Palladium to shift resources to priorities. The process of assigning values to outputs is difficult however – some outputs have been undervalued and others overvalued. While no payment is made beyond what would be charged under a full input based contract, incentives for delivery can be skewed. The experiment should be continued, with further monitoring.

The first high risk 'outcome' based payment is due to be made to Palladium based on the 'additional sales' indicator. Although the result was less than the logframe, it achieved the lower milestone payment target. Careful attention to the right level of target for the payment should be maintained as targets are negotiated at the beginning of each year.

Date of last narrative financial report	Latest Annual Report from AgDevCo for the period ending Dec 2016 received on 02 April 2017 Latest Palladium Quarterly Report for the period October – Dec received on 1 February 2017
Date of last audited annual statement	Palladium Uganda Final Draft Audited Financial Statement for the period April 2015 to May 2016 received on 21 March 2017 AgDevCo Uganda Audit Financial Report received 19 April 2017 AgDevCo Uganda Audited Financial Statements for the first 16 months ending 31 December 2016 received on 19 April 2017.

E: RISK

Overall risk rating: Major[9].

NU-TEC was audited by DFID's Internal Audit Department (IAD) for the year 2016/17 in August 2016, with a final report delivered in February 2017. The IAD assessed the programme risk rating as 'major' and the assurance assessment as 'limited'[10]. The rationale for the above assessment was due to the complexities of working with private sector agribusinesses in the Northern Uganda. In addition, the slow start to the project, the result of sluggish procurement process and under performance of the implementing partners, resulted in the programme scoring a B in its first annual review. The IAD team recognised that the programme team had high awareness of risks to programme delivery.

It is notable that all the recommendations made by the IAD report have either been implemented or are on track to be implemented; the two subsequent 'A' scores at Annual Review, including this one, also serve to reduce the perception of delivery risk somewhat. It is hoped that risks can be reduced to moderate in the next AR.

Overview of programme risk

Overall project risk remains categorised as major, principally due to the difficulty and uncertainty of working with the private sector in Northern Uganda, in a market oriented approach. The private sector is sparse and weak; the markets in Northern Uganda do not work predictably, efficiently or fairly; and the market oriented approach is undermined by a hand out culture in Northern Uganda that has built up over the last twenty years, and is still prevalent within the Government of Uganda's approach. In practice these risks are materialising in the form of business partners who struggle to get through due diligence (AgDevCo), others with already existing forms of grant or patronage support (weakening the attraction of Palladium's MSD offer).

These risks are hard to mitigate beyond additional care in forming partnerships, and taking opportunities to advocate across donors and government. DFID NUTEC SRO has had the opportunity to do that through a large USAID sponsored conference to agri –project implementers in March; and future opportunities through engagement with donors in respect of the refugee response are likely, where DFID is seen as a leader using development and private sector led approaches.

A second area of risk is political. Limited government engagement required to share lessons and receive advice has been hard to secure. Government involvement (a senior representative of the Prime Minister, Ministry of Agriculture officials, and many local government leaders) in the recent (June 2017) NUTEC Agribusiness Forum event, and their public support has gone some way to reduce this risk.

The Internal Audit Department report of February 2017 also highlighted the currency risk faced by AgDevCo; a risk which materialised over the last twelve months in other AgDevCo countries (notably Zambia) but not yet in Uganda. The mitigation stems from AgDevCo's long term partnership approach and capacity to respond by offering extended loan or investment terms to their investees and clients, in the event of currency related hardships.

DFID has accepted the IAD report, and continues to monitor implementation of its recommendations.

In addition, there is a new operational risk, linked to the changeover in NUTEC SRO in July 2017. A handover, including a field trip with the outgoing and incoming SRO has been undertaken. The Programme Officer and Team Leader also provide continuity.

There is substantial risk to the project stemming from the delays to the contracting of the SCF. Significant further delay or cancellation will not only reduce the scope of the project and its results, but it is likely to negatively effect, at least indirectly, the long term impact of the existing components. This because the availability of working capital is a critical issue for many of the business partners, and the SCF will offer suitable products (at a wider scale and smaller loan size than AgDevCo, and additional to other lenders)

[9] This was "High" in the categories used when the Business Case was prepared.

[10] This is where the framework of governance, risk management and control provides limited assurance over the achievement of objectives. Risks to objectives are major (combined impact and likelihood).

Finally, as discussed above, social and environmental safeguard risks need to be assessed across the MSD portfolio. The semi-formal nature of some business partners, and the weak rule of law, creates risks, especially for start-up processors.

F: COMMERCIAL CONSIDERATIONS

Delivery against planned timeframe

The two major operational components of NUTEC are on-track, with only limited additional delays accruing over the most recent reporting period. In addition to securing major planned outputs, the MSD team were also able to respond effectively to unplanned substantial requests to scope out work relating to the refugee crisis.

As noted in the last Annual Review, beyond milestone delivery, there is good progress in preparing the portfolios and pipelines for future delivery, which provides a level of reassurance that the future plans can be delivered within the timeframes set out.

The most significant delay continues to be the contracting and start-up of the SCF component, representing a major risk, as discussed above, although this is not related to the performance of the contractors. The implementation of the M and E system has also been delayed by much slower than expected delivery of the inception report, a change in team leader, and also by the cost and operational implications of the findings of the inception report. Two contract amendments are outstanding with the MSD, and M and E contractors. Along with the contracting of the SCF component, this implies a very heavy programme management workload for DFID in the next two quarters.

Overall, while the project stays just on track, there are substantial tasks ahead of the DFID team and its contracting partners to prevent major slippages.

Performance of partnership (s)

The beginning of the reporting period saw partnership risks emerging with delivery partners: continued optimism bias within AgDevCo reduced reassurance that their model had potential; Palladium had a six month period without a permanent team leader; and, OPM had further delayed delivery of the M and E inception report. However, there is now an improving level of trust between DFID and its implementing partners, as critical milestones are reached – namely, AgDevCo's first disbursement in December 2016, the recruitment of Palladium's long term leadership team, and, the delivery and approval of the M and E inception reports.

The partnership with AgDevCo is affected by the positive global DFID/AgDevCo partnership, and the reassurance provided by additional levels of scrutiny, including the recent global AgDevCo annual review.

Wider partnerships are still an issue of concern, with risks emerging from the weakness of government engagement, and with other donors in the region offering greater levels of subsidy to partners (this lowers sustainability in the long term, but can make other projects appear more attractive to potential business partners). However, the emerging communications strategy, and planned further engagement with Ministry of Agriculture, should set these partnerships on a stronger track. The recent NUTEC Agribusiness Partnership Forum had a positive impact of government, private sector and media understanding of the project and its approach.

G: CONDITIONALITY

Update on partnership principles (if relevant)

Partnership principles were updated in August 2016. They are not directly used in monitoring by the project

H: MONITORING & EVALUATION

Logframe and results measurement

The revised logframe, discussed in AR 2016 was approved in December 2016. Further recommendations about corrections and adjustments are made above, but these are minor.

Evidence and evaluation

Although the Inception report of the M and E contractor was finally approved in April 2017, the details on how impact level indicators 1 and 2 will be measured have still not been finalised. There is a broad plan to use a mixed approach with primary data collection that will be used to feed into models used to estimate wider effects. The approach will aggregate data from different interventions and investments, each of which may use different methodologies to generate their data. It is hoped that some interventions run by Palladium may be suitable for quasi-experimental quantitative approaches, although these have not yet been identified. Overall, this approach is not fully articulated and there are several areas that require further development and explanation, and that need to be attended to as a priority.

Monitoring progress throughout the review period

OPM has produced the NUTEC Monitoring Handbook. The Handbook is to provide a single consolidated statement of the NUTEC monitoring system, which is comprised of the monitoring systems of each of the three separate NUTEC components. The handbook proposes standards to ensure that the systems across the whole of the NU-TEC programme are consistent, coherent and lead to credible results. The NUTEC Monitoring Handbook will need to be revised once the NUTEC Component 2 service provider is in place. OPM has earmarked resources to work with the SCF component to do this.

It is no longer envisaged that there will be a separate dedicated work-stream on the review of monitoring information. Instead, it is proposed that the monitoring data produced by the NUTEC monitoring system will be reviewed as part of the Annual Review. For this AR, the consultants reviewed Palladium's new Logframe Indicator Reference Sheets and Palladium continue to further update and refine their Monitoring and Results Management systems.

AgDevCo continues to use its standard tools, agreed with DFID centrally, to monitor the performance of their investments.

There is no substantial evidence yet of ongoing, established monitoring systems that are routinely feeding into project decisions, and shaping the adaptations and adjustments projects of this nature will need to go through. This should be a particular focus of the AR 18.

Annex 1: **Follow up of the previous Annual Review's recommendations**

Recommendations from AR 2015	Status at AR 2017
#1. (AR15 and AR16) DFID and the senior managers of implementing partner organizations should continue careful and supportive monitoring, and ensure that the required technical skills are available to teams, as quality and speed of delivery remain a risk. This is especially relevant to the market system development component. Urgent recruitment of the MSD team leader and deputy team leader in MSD. Strengthen the agronomic and agro-processing/industry skill sets of both the MSD and AgDevCo components. Ensure that the Monitoring and Evaluation component does not slip further.	Both MSD and AgDevCo are demonstrating increased understanding of the local agronomic and agribusiness contexts and they will need to continue to maintain this focus on skills development and developing a business culture. The MSD component now assess staff competencies for this and have capacity development plans. The new MSD Team Leader and Deputy are recruited and working, and AgDevCo have appointed a suitably qualified Associate Director, significantly strengthening the team. DFID SRO and other staff continue to be closely engaged in monitoring and support, especially in relation to the MSD component. *AR18 to review*
#2. (AR15) Undertake a thorough review of the logframe and consider rearranging outputs so that each refers to a single delivery partner.	The revised Logframe has been approved. OPM's inception report has been approved but elements of the evaluation framework and its methodologies and tools remain to be finalised. *AR18 to review*
#3. (AR15) Update the Economic Appraisal, based on the strategic choices that are being made by the project, and for the opening portfolios of the various components. Revise the Value for Money (VfM) benchmarks to reflect the results.	This has not been done and the AR now recommends that it be done for the mid-term review, by which time it can be better informed with evidence and data from implementation. *For the mid-term review*
#4. (AR15 & AR16) Develop a communications strategy for NU-TEC; allocate resources to implement that and establish indicators to measure its performance.	This communications strategy (due by AR17) has not been completed, though significant preparatory work has been done. A communications committee has been established and Palladium have submitted a proposal to DFID. Actively implementing an agreed communications strategy needs to be given a higher priority, which has been recently reflected in the successful Agribusiness Partnership Forum event and associated media and government exposure. *Completion and implementation required before AR18*
#5. (AR15) Initiate "quick win" interventions as a priority, to gather implementation experience for the 'Making Markets Work for the Poor' (M4P) approach.	From their "opening portfolio", Palladium are implementing their opening portfolio, with 8 intervention agreements having been contracted. Several of the initial agreements have now been closed off. For this AR, concluded or ongoing analytical/preparatory work is being done in the areas of youth, gender and PWD inclusion, political economy, carbon markets, mechanisation and feeds. Difficulties in attracting quality partners to implement the "quick wins" continues to frustrate the project. *Ongoing implementation. AR18 to review*
#6. (AR15 & AR16) Establish the advisory or steering body as a matter of priority, with a terms of reference and KPIs. Try to ensure that it is inclusive of Government. Mandate the Advisory Group to oversee an agenda of enquiry.	The Advisory Group has now met twice and a revision of the TOR has been prepared. Government has nominated two senior officers to participate. The Group is accountable to the DFID SRO, and remains and advisory board. Active participation in the project from some members has been very welcome. *Ongoing function. AR18 to review*
#7. (AR15 & AR16) Based on early implementation experience, revise each of the components' risk assessments, reflecting risks identified by this review, and then review management and	Palladium has reviewed and restructured its risk management systems. Project as well as intervention risks were outlined as well as mitigation strategies developed. A regular process of quarterly reviews of assumptions and targets has adopted.

mitigation procedures. The major risk remains the level and quality of private sector participation. A short cross-project workshop is advised before the next AR	AgDevCo identify and manage risk on an investment-by-investment varies and this is, for example, captured in their investment appraisal documents. DFID's risk "heat map" aggregates risk and this should be reviewed annually. Risk management needs to stay high on the programme's agenda. A risk workshop was held. The DFID risk matrix needs updating following the findings of this review. *Ongoing function. AR18 to review*
#8. (AR15 & AR16) All components should develop specific strategies to assure that their gender equity targets are met, with KPIs and means of measurement. This should include strategies to embed high quality gendered approaches within and across teams, and implies a shift in team culture to ensure these objectives are internalized and automatic rather than left to occasional inputs from specialists	The revised logframe better targets and monitors gender and social inclusion, including a new impact indicator and requirements for the gendered business plans. Palladium have produced a Gender and Vulnerability Assessment Report and a report on integrating gender and social Inclusion. A short-term GESI[11] consultant is now part of their staffing. AgDevCo have assigned Gender Champions to each of their country offices and have conducted a gender study, adapted the organisation's gender policy, and are now actively screening investments for their inclusivity, where each is required to have a Gender Action Plan. Their GADC investment is also piloting an SDU grant funded activity to pilot and asset-on-loan programme targeting gender inclusion. DFID Uganda's short term Social Development Adviser has made a screening and analysis of NUTEC and has provided a number of suggestions. *Ongoing. AR18 to review*
#9. (AR15) Propose strategies, targets and indicators for Climate Smart Agriculture (CSA) that explore benefits beyond the realisation of economic resilience in the target groups, starting with the Market Systems Component. As with gender, CSA objectives and approaches need to be internalised across and within all teams, and reflected automatically in decisions, planning and ways of working.	Palladium's Inception Report and their opening portfolio demonstrate the intention to integrate CSA, but the AR's observation is that implementing for this is coincidental, rather than the outcome of progressively identifying and targeting need and opportunity. Continued oversight will be required. AgDevCo's pipeline reveals that the investments they are pursuing could deliver CSA impact, and since the last review they have begun to draw out that analysis, for example with their GADC case-study. Targets and their measurement need to be specific. *Continued effort and oversight required* *AR18 to review*
#10. (AR16) Implementing partners to apply a sensitivity analysis to the Logframe's results measurement and aggregation models, particularly around yields, unit costs and prices. Inform this with data collected from implementation	The MSD component incorporates financial analysis as well as sensitivity analysis to better manage risks, especially around yields, volumes and prices. Seasonally data is to be collected after each season and the analysis revisited. Sensitivity analysis for intervention has been aggregated to help the project understand the impact of these high, medium and low scenarios on logframe targets. *Ongoing. AR18 to review*
#11. (AR16) Integrate financing costs and access to finance as standard practice when developing MSD business cases, and recognize financing risks in the risk management plans. Acknowledge access to finance and costs of finance, particularly for smallholders and SMEs, as a greater risk to the proposed MSD interventions.	The MSD component have begun to integrate financing costs but mechanically in a manner that doesn't reflect the available instruments, access issues, or the terms and conditions offered by Uganda's financial institutions. Refinement should be ongoing. The understanding of finance related risks is beginning to become apparent in the implementation. *Ongoing. AR18 to review*
#12. (AR16) Clarify safeguards risks in relevant interventions, relating to land,	The MSD component's research identifies additional gender risks such as intra-household dynamics, gender-based violence, and land issues

[11] GESI – Gender Equity and Social Inclusion

gender and child labour. Significant further gender analysis is required to understand intra-household dynamics and the related impact of the project	for women and these are now included in the risk matrix and are to be reviewed regularly. Child labour and land risks have similarly been incorporated into the risk matrix and into interventions. Gender Action Research is ongoing. As mentioned in the AR 17 above, new environmental risks are also emerging and need to be assessed and mitigated, especially by the MSD component. *Ongoing. AR18 to review*
#13. (AR16) Review existing and potential impact of the project on staple food market systems; beans, maize and cassava. Consider whether an improved poverty reduction impact could be achieved through greater focus on these crops.	This work has not been initiated, due to competing priorities in the recent review period. However, this review is now more critical because of its relevance to the South Sudan refugee and hosting communities' crisis, where staple crops are more likely to be grown, and be the basis for market development. Palladium will undertake this work, with ToRs targeted for September 2017, and a report delivered by November. *AR18 to review*