PD-AAS-530

UNCLASSIFIED

Annual Budget Submission

FY 1984

Uganda

BEST AVAILABLE

June 1982

Agency for International Development
Washington, D.C. 20523

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USAID/UGANDA

ANNUAL BUDGET SUBMISSION

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FY 1984 ANNUAL BUDGET SUBMISSION

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TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT ($ Thousands)

Country/Office Uganda

DEVELOPMENT ASSISTANCE	FY 1982 EST	FY 1983 EST	FY 1984 REQUEST	PLANNING PERIOD 1985	1986	1987
Agriculture, Rural Development and Nutrition						
Grants	6,000	5,500	12,000	14,000	19,000	26,000
Loans	-	-	-	-	-	-
SUBTOTAL FUNC. ACCOUNTS						
Grants	6,000	5,500	12,000	14,000	19,000	26,000
Loans	-	-	-	-	-	-
TOTAL DA ACCTS						
Grants	6,000	5,500	12,000	14,000	19,000	26,000
Loans	-	-	-	-	-	-
Economic Support Fund						
Grants	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Total DA and ESF	6,000	5,500	12,000	14,000	19,000	26,000
PL 480 (non add)						
Title I	-	-	2,000	2,500	-	-
(of which Title III)	-	-	-	-	-	-
Title II	447	-	-	-	-	-
Housing Guaranties (non-add)	-	-	-	-	-	-
TOTAL PERSONNEL						
USDH (Workyears)	2.5	5.0	6.0*	7.0	7.0	7.0
FNDH (Workyears)	1.0	2.0	2.0	2.0	2.0	2.0

*Exceeds Personnel Planning level by one workyear

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TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1982 to FY 1984
($ thousands)

Country/Office UGANDA

APPROPRIATION ACCOUNT	FY 1982	FY 1983	FISCAL YEAR 1984
Agriculture, Rural Development and Nutrition	4,000	3,500	12,000
617-0102 Food Production Support	4,000	--	--
617-0104 Production of Agricultural Inputs	--	3,500	8,000
617-0105 Agricultural Institution Rehabilitation	--	--	3,000
617-0106 Oil Seed Production	--	--	1,000
Education and Human Resources	2,000	2,000	--
617-0103 Manpower for Agricultural Development	2,000	2,000	--
Total All DA Appropriation Accounts	6,000	5,500	12,000

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TABLE IV PROJECT BUDGET DATA

Country/Office Uganda

PROJECT			OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF	ESTIMATED U.S. DOLLAR COST ($000)									
								FY 1982		FY 1983		FY OBLIGATIONS					
NUMBER	TITLE	G/L	INITIAL	FINAL	AUTH	PLAN	9/30/81	OBL.	EXP	OBL	EXP	1984 AAPL	FUNDED TO M/YR	1985	1986	1987	FUTURE YEAR
	Agriculture, Rural Development and Nutrition																
617-0102	Food Production Support	G	81	82	5,000	6,000	2,000	4,000	1,500	-	4,000	-	-	-	-	-	-
617-0103	Manpower for Agricultural Development	G	82	83	-	4,000	-	2,000	-	2,000	2,500	-	-	-	-	-	-
617-0104	Production of Agricultural Inputs	G	83	85	-	19,500	-	-	-	3,500	2,500	8,000	3/85	8,000	-	-	-
617-0105	Agricultural Institution Rehabilitation	G	84	87	-	18,000	-	-	-	-	-	3,000	3/85	4,000	5,000	6,000	-
617-0106	Oil Seed Production	G	84	87	-	6,000	-	-	-	-	-	1,000	6/85	1,000	2,000	2,000	-
617-0107	Cooperative Development	G	85	89	-	10,000	-	-	-	-	-	-	-	1,000	1,500	2,000	5,500
617-0108	Farming Systems Research	G	86	90	-	8,500	-	-	-	-	-	-	-	-	1,000	3,000	4,500
617-0109	Agro Industry Development	G	86	90	-	49,500	-	-	-	-	-	-	-	-	8,500	11,000	30,000
617-0110	Export of Food Crops	G	86	90	-	9,000	-	-	-	-	-	-	-	-	1,000	2,000	6,000
	Appropriation Total				5,000	30,500	2,000	6,000	1,500	5,500	9,000	12,000		14,000	19,000	26,000	46,000
	Grant				5,000	30,500	2,000	6,000	1,500	5,500	9,000	12,000		14,000	19,000	26,000	46,000
	Loan				-	-	-	-	-	-	-	-	-	-	-	-	-

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TABLE IV PROJECT BUDGET DATA

Country/Office Uganda

PROJECT			OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF	ESTIMATED U.S. DOLLAR COST ($000)									
								FY 1982		FY 1983		FY OBLIGATIONS					
NUMBER	TITLE	G/L	INITIAL	FINAL	AUTH	PLAN	9/30/81	OBL	EXP	OBL	EXP	1984 AAPL	FUNDED TO M/YR	1985	1986	1987	FUTURE YEAR
	Economic Support Fund																
617-0101	Rehabilitation Import Grant	G	79	79	3,000	3,000	335	-	335	-	-	-	-	-	-	-	-
	Appropriation Total				3,000	3,000	335	-	335	-	-	-	-	-	-	-	-
	Grant				3,000	3,000	335	-	335	-	-	-	-	-	-	-	-
	Loan				-	-	-	-	-	-	-	-	-	-	-	-	-
	Program Total				8,000	133,500	2,335	6,000	1,835	5,500	9,000	12,000		14,000	19,000	26,000	-
	Grant				8,000	133,500	2,335	6,000	1,835	5,500	9,000	12,000		14,000	19,000	26,000	-
	Loan				-	-	-	-	-	-	-	-		-	-	-	-

Project Title: Production of Agricultural Inputs

Project Number: 617-0104

FY 1983 Funding: $3,500 (Grant)

FY 1984 Funding: $8,000 (Grant)

Appropriation Account: ARDN

Purpose: This project will help get food and cash crop production up to their potential at the current level of technology by providing urgently needed inputs for Uganda's small farmers.

Problem: Food and cash crop production in Uganda are far below their potential given current production methods known by the country's farmers. This has been due, in part, to inappropriate government pricing, marketing, processing, and administrative policies. As a result farmers had little incentive to produce cash crops, and food crop production was hindered by marketing and transport problems. Security conditions also contributed to the low level of output. The government has taken action to begin to correct many of the inappropriate policies. Producer prices have been increased three to five times. Restrictions on interdistrict trading of food crops have been lifted, and competition among cooperatives and between the private sector and cooperatives is being encouraged. But, further changes are needed. These include additional cash crop price increases, a reduction in the tax on cash crop processing by the marketing boards, broader private sector participation in the marketing, processing and export of crops, an improved climate for small private traders including access to credit and foreign exchange, and better allocation of available transport.

Another major reason for low productivity has been the lack of basic farm inputs because of the scarcity of foreign exchange. Hoes, machetes, axes, shovels, seeds, fertilizer, ox plows, pesticides, herbicides, barbed wires, gunny bags and similar farm supplies are in critically short supply. Even though farmers may have the economic incentive to increase cultivation as well as the knowledge of how to produce, they often cannot because of the need for primary factors of production. Uganda has the capacity to manufacture a number of the most urgently needed items. Others must be imported. All, however, require foreign exchange to bring in raw materials, spare parts for manufacturing of critical components. Uganda's desperate foreign exchange shortage does not permit it to import the needed goods to get production going so that it can rely on its own foreign exchange earnings to finance these needs in the future.

Project Description: The recent Agricultural Sector Assessment identified the recapitalization of small holder agriculture as a high priority for USAID. This is consistent with the Ugandan 1982-1984 Recovery Program. This project will help achieve this objective by providing the foreign exchange needed to finance the import of raw materials, supplies, machinery, and spare parts to facilitate the in-country production of farm supplies. Some inputs will be imported in final form and sold directly to the country's farmers.

This project will be an agricultural sector grant. The financing of imports will be tied directly to further government policy changes that are needed to rehabilitate food and cash crop production. It will be complementary to a forthcoming IBRD-financed agricultural sector credit also designed to bring about the appropriate policy climate to stimulate small farmer production.

Through this project funds will be provided directly to the domestic private and public sector manufacturers that are producing farm supplies. This includes such things as steel ingots for the East African Steel Corporation to be converted to steel flats for Ugma, Uganda Hoes and a panga factory, jute for Ugandan Bags and Hessian Mills Ltd., rubber and raw materials for Dunlop Tires and steel for ox plow spare parts for Ugma. All of the imported raw materials will be converted in Uganda into final farm production supplies (hoes, shovels, axes, gunny bags, pangas) or into needed spare parts (bicycle tires and tubes and ox plow components). Some items will be imported in their final form to be sold directly through Ministry of Cooperatives and Marketing farm supply stores. This includes seed, bicycles and ox plows.

This project will be coordinated with the Ministry of Finance as the major implementing GOU activity. While most commodities will be sold through the Ministry of Cooperatives and Marketing, only the Ministry of Finance can ensure that policy changes that will be conditions for disbursement will be implemented. Also, it will ensure that private sector manufacturers receiving support through this project will have access to credit, foreign exchange, licensing permits and the policy environment that will enable them to sell their goods at profitable rates.

Issues: This project is urgently needed. It is consistent with the Ugandan 1982-1984 Recovery Program as well as our own Agricultural Sector Assessment. Delays in financing the goods needed for this activity will only postpone the country's recovery efforts. USAID has budgeted only $3.5 million for this in FY 1983, given the low AAPL level to which we had to adhere. However, we could implement the full $8 million programmed for FY 1984 in FY 1983 if funds were available. This would be consistent with the results of the CDSS review that recommended a minimum of $10 million in FY 1983 for Uganda. Thus, this project should be considered as a shelf activity for FY 1983 for at least an additional $4.5 million if funds become available.

We have considered channeling funds in this project through Ugandan intermediate credit institutions for on-lending to private and government enterprises. This possibly would reduce USAID staff time to monitor the project. However, we have rejected this approach because of the limited expertise available in the Ugandan banking community. Full involvement of the Ugandan banks will depend upon development of qualified staff, which we believe should be in place by FY 1986 when we plan to initiate the Agro-Industry Development project.

The FY 1983 Congressional Presentation contains $5.5 million for the Ugandan Food Production Support project. We propose not to continue the Food Production Support activity in FY 1983; funds programmed for Uganda will be divided between the Manpower for Agricultural Development project and the Production of Agricultural Inputs activity. We believe that the latter project should move forward as a discrete activity as it will increase our leverage in policy discussions with the GOU and would be easier to handle administratively.

Project Title: Agricultural Institution Rehabilitation

Project Number: 617-0105

FY 1984 Funding: $3,000 (Grant)

Appropriation Account: ARDN

Purpose: This project will help rehabilitate a number of the key institutions providing research, extension, training and statistical services to Uganda's farmers in order to provide the analytical foundation for improved agricultural policy and increased farm production.

Problem: Over the past decade many of the institutions working with Uganda's farmers deteriorated so that they are now unable to provide many needed services to them.

"As in every sector and sub-sector of Uganda's economy the needs simply to rehabilitate agricultural institutions are overwhelming. It would indeed be easy to become inordinately discouraged by the sheer scale of the problem. At research stations, experimental farms, district extension offices, agricultural schools and institutes and even the College of Agriculture at Makerere University there is a slow-down and in some cases a complete disruption of activities while professional people and semi-professionals wait for tools, paper and supplies, transport, machines, instruments and spare parts. If the amount of waste generated by these conditions could be calculated it undoubtedly would be enormous."*

Physical structures decayed and little investment was made in their maintenance or improvement during the Amin years. Capital equipment became worn out and was not replaced. Office supplies, stationery, vehicles, tools, laboratory and research equipment, training aids, and professional publications became increasingly scarce. Finally, in the looting that accompanied the liberation war many of the remaining physical assets in training institutions, ministry offices, demonstration farms, and agricultural training schools were destroyed.

The loss in human resources has been equally severe. Trained personnel fled the country or returned to their farms. Morale deteriorated and officials spent less and less time on the job as they sought outside income under the difficult economic circumstances. The quality of education declined substantially as fewer resources were invested in it. Even if researchers were able to do their work, their results became increasingly suspect given the highly distorted price structure. Furthermore, their work lagged far behind other efforts because they were not allowed to communicate with professional colleagues outside Uganda. Gathering, analysis and publication of agricultural statistics and census data became difficult since the results did not reflect the military regime's picture of success in its economic war.

*Uganda Agricultural Sector Assessment

As a result of this decline in institutional strength the quality of small farmer training at demonstration plots has fallen, agricultural statistics are not gathered in a reliable manner and the analysis is not relevant to current conditions, research cannot be undertaken because of the lack of laboratory facilities and chemicals, and Makerere University is unable to provide adequate field training to its students. Furthermore, no coordinated approach to agricultural planning is carried out by the five ministries (Agriculture, Animal Industry, Cooperatives, Planning and Finance) that are most concerned with the performance of the rural economy.

Project Description: This project will help rebuild a number of institutions that once provided critical services to Uganda's farmers that have either ceased to function or now operate at a very low level of efficiency. These institutions include Makerere University's agricultural training farm and laboratories within the faculty of Agriculture; the Planning, Statistical, Census, Publications, and Research divisions of the Ministry of Agriculture and Forestry; and the District Farm Institutes. This project will provide training and technical assistance to these institutions in addition to a substantial amount of commodity assistance. The project assumes that with the exception of agricultural research and planning, the institutions included in this activity once carried out their functions in an efficient manner. They contributed to increasing agricultural productivity by training farmers, by extending research results or providing information to them, or by providing the data and analytical base on which agricultural policy was determined. All of these institutions were integrated in a system that was geared toward increasing agricultural production. That is, Makerere produced trained personnel to staff Ministry of Agriculture offices doing research, extension work, or training at District Farm Institutes and developing the policy framework that influenced the direction of training at Makerere. They also provided feedback from the farmers that helped establish research priorities within the Ministry and University and guidance on budgetary allocations. Thus, focusing on rehabilitating a limited number of key institutions that interact to increase farm production that have been effective in the past will have a greater impact on overall output than concentrating on only one institution. This project will attempt to revive an institutional structure that once worked and that with limited assistance could rapidly resume its productive roles. Steps are being taken to provide the budgetary resources to rehabilitate these institutions, but foreign exchange for equipment, laboratory supplies and chemicals, professional publications, transportation, training, and advisory assistance is needed. The GOU will cover most recurring costs for this project, though Ugandan shillings generated from the Food Production

Support and Production of Agricultural Inputs projects will finance new local training and the reconstruction and reequiping of the District Farm Institutes. AID funds would be used for training outside Uganda, short term advisory assistance, and commodities.

Initial work with the District Farm Institutes through the Manpower for Agricultural Development project will help identify the major constraints to improving the efficiency of these training schools, the most basic agricultural education institution in Uganda. Project activities with the Planning Division of the Ministry of Agriculture will be coordinated with an IBRD activity designed to integrate policy analysis and program functions of the five ministries most concerned with agricultural development. Reviving the country's ability to generate reliable and valid agricultural statistics and performing an agricultural census is urgently needed and will help improve the quality of policy and program analysis being carried out in the Planning Division. Rehabilitation of Makerere University's farm at Kabanyolo will help ensure that its graduates, most of whom go directly into the Ministry of Agriculture or private sector, will be better prepared to work with Uganda's farmers. This project will finance only limited agricultural research. Rather, it will attempt to define research priorities; establish a process for on-farm investigations; determine the role of the University experimental farm and central ministry staff; and determine the appropriate structure, scope and direction of future research. The results of this effort should provide the basis for the proposed Farming Systems Research project proposed for FY 1986.

Issues: This project is proposed for FY 1984 funding only because of the low AAPL level within which USAID is constrained. This project should be considered a shelf activity for possible funding in FY 1983 if funds become available.

Project Title: Oil Seed Production

Project Number: 617-0106

FY 1984 Funding: $1,000 (Grant)

Appropriation Account: ARDN

Purpose: This project will help earn foreign exchange and revive private sector opportunities by developing new oil seed crops that can be cultivated profitably in Uganda.

Problem: Uganda once produced sufficient vegetable oil to meet its domestic needs for cooking oil and soap. Most of the oil was produced from cotton seeds. During the Amin years cotton production declined by 85% because of low prices, the inability of cooperatives to provide crop financing, and the deterioration in the country's ginning capacity. Many oil processing facilities were nationalized and either abandoned or run until they collapsed from lack of maintenance and spare parts. Consequently, vegetable oil and oil cake are very scarce and expensive. A liter of edible oil now costs over $9, and virtually all oil sold commercially must be imported.

Uganda once had a strong comparative advantage in cotton production, and the government is now encouraging its cultivation. The price of cotton has been raised fivefold in the past year, the cooperatives have been given crop financing and transport, and spare parts for gins are being imported. Nonetheless, we doubt that cotton production will ever reach its former peak of 86,000 tons. Reasons for this conclusion are the higher return from alternative crops, lack of farmer confidence in the cooperatives' ability to provide cash on delivery, the scarcity of ox plows and oxen to cultivate, and the high cost in inputs associated with cotton cultivation.

Development of suitable oil seeds is a high priority. More than half of Uganda's protein comes from vegetable sources. Local production of suitable oil seed not only would increase the supply and lower the cost of edible oil, but also it would conserve foreign exchange now going for imports as well as providing a foreign exchange earning export. It would provide a needed input for soap, another critically needed consumer item. Finally it would contribute to the rehabilitation and development of the country's livestock industry.

Project Description: This project will identify a variety of alternative oil seed crops suitable for Uganda, will experiment with growing them, will extend successful varieties to small farmers, and will help rehabilitate private sector oil processing facilities. A condition for implementing this project will be the GOU's following through on its commitment to return nationalized oil mills to their previous owners or selling off government mills to the private sector and co-operatives.

Initial experiments indicate that soya beans may be a suitable crop for Uganda. One private processor now has 200 acres under cultivation and plans to expand this to 4,000 acres, but needs assistance in setting up an outgrowers program to engage surrounding small farmers in soya bean production. Groundnuts are another potential crop. They have been cultivated throughout Uganda, but are susceptible to a rosette disease. This project may focus on identifying more disease resistant strains of groundnuts. Other possible crops include sunflowers, rapeseed, sesame and castor beans.

There are approximately 31 oil processing facilities in Uganda; many of them are operating at only 5-10% of capacity because of lack of raw materials. However, many of them are run down and in need of spare parts and replacement of equipment. Additional new equipment may be needed depending upon the oil seed selected for production and the method of extraction. This project would make foreign exchange financing available on commercial terms to the owners of processing facilities in order to rehabilitate production lines.

The Ministry of Agriculture's Research and Extension Service would be responsible for crop experiments and for engaging small farmers in oil seed production. We would, however, initiate project activities with an existing private sector oil seed grower and processor. All funds for the procurement of equipment for processors would be channeled directly to them through the USAID Mission.

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TABLE V - FY 1984 PROPOSED PROGRAM RANKING

Country/Office
Uganda

RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING/NEW	LOAN/GRANT	APPROP. ACCT.	PROGRAM FUNDING ($000) INCR	CUM
	New and Continuing Projects					
1	617-0104 Production of Agricultural Inputs	O	G	ARDN	8,000	8,000
2	617-0105 Agricultural Institution Rehabilitation	N	G	ARDN	3,000	11,000
3	617-0106 Oil Seed Production	N	G	ARDN	1,000	12,000
4	PL 480 Title I				(2,000)	12,000

TABLE V - NARRATIVE

AID has a unique opportunity in Uganda to reinforce the market approach that the Government is emphasizing to rehabilitate and develop the economy. The country has embarked on a major economic reform program that is supported by the IMF. It has eliminated all price controls except for public utilities and petrol, and greatly increased producer prices for cash crops. The allocation system for distributing scarce commodities has been eliminated, and the Ministry of Supplies is defunct. Goods and services are now allocated on the basis of competitive market forces. Parastatals no longer enjoy preferential access to scarce inputs and must now compete on equal terms with the private sector. The Government is divesting itself of some parastatals, compelling others to operate without resort to government subsidies, attempting to improve the performance of those remaining in the government's possession, and considering how it can sell the rest to cooperatives and the private sector or close them down entirely. The Government is making a major effort to increase foreign exchange earnings by promoting exports. Crop prices have been increased three to five times and may be raised again in the future. The Ugandans are also attempting to rehabilitate crop processing facilities and the transportation and marketing sectors to help make the export drive succeed.

The Government is taking other measures to improve agricultural production by expanding opportunities for the country's entrepreneurs. Private traders are now permitted to compete with cooperatives for cash crop marketing. Inter-district restrictions on food crop transport have been eliminated. Entrepreneurs are being encouraged to operate crop processing facilities, once an area of government monopoly. Some nationalized enterprises have been given back to the previous owners and the Government will soon present a bill to Parliament to provide for the orderly return of all previously confiscated property. In spite of pressures to reactivate the Produce Marketing Board, free market prices continue to apply to all food crop production.

In spite of the favorable policy climate, additional measures should be initiated to enable the country's Recovery Program to move forward. The most pressing need is for foreign exchange and credit to be made available to the private sector. There are a large number of private enterprises in Uganda that are idle or working far below capacity because of the lack of foreign exchange to import spare parts, replacement machinery, and raw materials. Or, if foreign exchange becomes available, credit terms often are too onerous for the risk averse. Not only could these enterprises generate employment and foreign exchange earnings if they were working at capacity, but also more importantly they could provide many of the resources needed to get agricultural production going again. These include firms manufacturing farm inputs and others providing transport, processing, and distribution facilities. We have discussed the need to provide foreign exchange and credit to the private sector with the GOU and other donors. The GOU has agreed to allocate it more hard currency and banks are becoming more interested in providing local currency funding. Major donors of balance of payments support also are opening their assistance to the private sector.

Other reforms are needed to stimulate agricultural production and marketing and reinforce the dynamic role that the private sector can play in agriculture, the dominant economic sector in Uganda. Many of these measures will be supported directly by new projects proposed for FY 1983 and 1984 funding. Onerous administrative requirements for establishing a private trading company will need to be removed. Higher prices should be offered Uganda's small farmer producers. They must have access to needed inputs such as hoes, pangas, vaccines, pesticides, herbicides, ox plows, and bicycles and other means of transport. The institutions providing research on new production technologies and extension of these concepts and training of farmers should be rehabilitated so that they can provide better services to Uganda's rural poor. The integrity of the cooperative organizations, a grassroots movement providing inputs to the country's farmers and marketing of their cash crops, should be reestablished. A larger role for the private sector in the export of cash crops should be explored along with the benefits of moving to a crop auction system. And, most importantly, a secure and stable environment based on the rule of law is needed within which development can proceed.

USAID is assisting the Government in the identification of problems it must address, is providing assistance in determining policy alternatives, and is helping implement new policy directions. We were instrumental in bringing about the GOU decision to work with the IMF on a stabilization program and standby agreement. We have helped confront some of the major issues of crop processing and marketing which has led to considerations of an export crop auction system, a reduction in taxes on farm output, rationalization of marketing board operating expenses, and increased returns to producers. More recently we have gained agreement to permit private sector farm implement manufacturers to earn a healthy profit on their production while still providing supplies to farmers at reasonable prices. We also have gotten concurrence to eliminate subsidies on farm inputs and to sell agricultural implements at their real capital cost. Our future efforts will build upon this successful dialogue of rehabilitating agricultural production by enlarging the role played by competitive forces and free market prices.

Our objective over the 1982-1984 period is to help to get Ugandan agricultural productivity up to its potential given the technology currently available in the country. Continued economic policy adjustments will be required along with the provision of agricultural inputs to achieve this. USAID will support these efforts by helping to rehabilitate private sector and government enterprises manufacturing farm supplies and by financing the import of raw materials and other agricultural inputs. This will be done through the Production of Agricultural Inputs project, our highest priority activity. We have budgeted $3.5 million for this project in FY 1983 and $8 million in FY 1984. As the project narrative points out, this project should be considered as a shelf item. If additional funds are made available to Uganda consistent with the decision made during the review of the CDSS, we would add them to this project in either or both fiscal years.

We propose to finance this effort as a discrete project rather than adding additional funds to the Food Production Support project. Reasons for this include the Food Production Support project's primary focus on the Ministry of Cooperatives and Marketing while the Production of Agricultural Inputs project will bring in the private sector to a greater extent and also will involve the Ministries of Agriculture and Animal Industry. We believe it would be difficult administratively to include these additional entities in the Food Production Support project. Also, we believe it would be more appropriate to negotiate policy reforms we plan to press for within the context of a discrete new project rather than through an ongoing activity.

In addition to helping recapitalize farm production we attach high priority to rehabilitating the agricultural sector institutions providing services to Uganda's small farmers. Thus, our second priority is to finance the Agricultural Institution Rehabilitation project. This is consistent with the recent Agricultural Sector Assessment that pointed out the tremendous waste now going on in a number of institutions because of lack of supplies, equipment, and transport as well as access to new technological developments that have occurred over the past decade. Rapid increases in productivity could be achieved if these institutions were revitalized and providing training and extension services to the country's farmers. Furthermore, if these institutions were operating efficiently they could provide the statistical and analytical framework upon which better agricultural sector policies would be based.

If substantial additional funding were to become available in FY 1983 we would like to initiate this project in that fiscal year. However, our first priority for additional funding would be to obligate the full $8 million needed for the Production of Agricultural Inputs project.

Third priority for FY 1984 is for the Oil Seed Production project. This activity will provide a vitally needed raw material for edible oil and soap, would put existing productive capacity at the processing factories back to work, would strengthen the development of Uganda's private sector, and could result in foreign exchange earnings. The proposed PL 480 program would help bridge the gap in edible oil supplies between the initiation of the Oil Seed Production project and when the project comes on stream with large scale production of new oil seed crops. The Title I program would generate local currency to help finance the rehabilitation of many of the denationalized processing facilities. Further the provision of oil under PL 480 to private processors and traders would enable them to reestablish marketing and distribution channels they will need after locally produced oil seed again becomes available.

The financing of recurring costs is a major problem for Uganda at this time, and the lack of local resources is a major impediment to the success of the Government's Recovery Program. It is not, however, a significant problem with proposed new USAID projects. Under the terms of the IMF Stand-by Agreement the GOU is committed to restraining the rate of growth of government expenditures, to the mobilization of domestic revenue, and to a reduction in previously enormous budget deficits. In the first year of the Stand-by Agreement the GOU was scrupulous in its adherence to IMF performance criteria, and we have little reason to question its ability to continue this success over the 1982-1984 period of the Recovery Program. In the 1981-1982 budget year Ugandan government revenues have grown by seven times over the previous year. Expenditures increased by only 300% for the recurrent budget, and by 85% for the development budget, and the ratio of budget deficit to total government expenditure was reduced to 38%, compared to 76% in the 1980-1981 fiscal year. Continued improvement in domestic budget management should be possible.

This outstanding performance exacts a heavy toll, however. Because of the GOU's determination to hold down government expenditures the country's civil servants are not paid anything approaching reasonable salaries. The current wage of a senior government official is barely adequate to buy one tank full of gas each month. And, since public sector wage scales influence salary levels throughout the entire economy personal income of wage earners is far below expectations. As a result, there is low morale, absenteeism, lack of commitment to public service, theft, and considerable venality throughout private and public sector enterprises. It could lead to political upheaval. The Government is aware of the problem, but currently unable to address it satisfactorily because of limitations on the rate of growth of government expenditures. If the private sector begins to expand as hoped, this may partially solve the problem as trained personnel migrate to better paying private positions. Nonetheless, this will continue to be a problem affecting morale and commitment to ensuring the success of the Recovery Program.

The relatively modest size of proposed USAID projects, the fact that they are directed toward improved performance of already funded activities, and the availability of Ugandan shillings for some local costs through commodity imports or PL 480 should ensure that the funding of recurring costs in connection with AID projects will not be a problem. The Production of Agricultural Inputs project will provide for the foreign exchange financing of needed imports during a period in which Ugandan export earnings are quite constrained. After this project is completed foreign exchange gained from cash crop exports should begin to cover these imports. Most of the local currency requirements under the Agriculture Institution Rehabilitation project already are being financed by the GOU's regular budget as they consist only of salaries and normal operating expenses. The limited amount of additional Ugandan shilling costs will be financed from Special Account funds already available that the GOU should be able to cover in its recurrent budget in the future as total revenue expands. PL 480 Title I generations will provide for some of the new local currency costs associated with the Oil Seed Production project. Additional local currency requirements for this project should be covered from personal savings and the domestic banking system, and should not be a future mortgage problem.

The assigned work force level of five U.S. direct hire personnel for FY 1984 should be increased by one person. The approved MODE ceiling for USAID/Uganda is six U.S. direct hire personnel (Director, Assistant Director for Program, Project Officer, Agricultural Development Officer, Management Officer, and Executive Assistant). We now have on board the Assistant Director for Program (Acting Director), Executive Assistant, and Agricultural Development Officer. The Project and Management Officers should be arriving in the next few months. Our assistance strategy for Uganda calls for substantial program and commodity assistance during the 1982-1984 Recovery Program period. Thereafter USAID will focus on longer term institution building activities, and new technical assistance projects planned for FY's 1984-1987 reflect this trend. One additional staff member will be needed to help design and implement these more personnel intensive projects. Since the Acting Director will be leaving at the beginning of FY 1984, we recommend that the Assistant Director for Program position be reclassified to provide for a second Project Officer, leaving the new Director to handle all program matters. If it is not possible to add the additional Project Officer position in FY 1984, USAID recommends that the Management Officer position be changed to a Project Officer, and that the Management Officer function be handled by U.S. Personal Services Contractors. This could result in considerable inconvenience to direct hire staff in terms of the level of official support that could be provided under still rather spartan conditions in Uganda. However, with the right combination of highly motivated staff, it is a possible option to consider.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1982				FY 1983			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	260.5		260.5	3.0	388.9		388.9	5.0
F.N. DIRECT HIRE	5.1		5.1	1.0	10.2		10.2	2.0
CONTRACT PERSONNEL	87.0		87.0	XXXXX	66.0		66.0	XXXXX
HOUSING EXPENSES	361.5		361.5	5.5	275.0		275.0	5.8
OFFICE OPERATIONS	230.5		230.5	XXXXX	432.5		432.5	XXXXX
TOTAL	944.6		944.6	XXXXX	1,172.6		1,172.6	XXXXX
RECONCILIATION	214.6		214.6	XXXXX	322.6		322.6	XXXXX
MISSION ALLOWANCE	730.0		730.0	XXXXX	850.0		850.0	XXXXX

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 MINIMUM				FY 1984 CURRENT			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	452.4		452.4	5.0	452.4		452.0	5.0
F.N. DIRECT HIRE	10.2		10.2	2.0	10.2		10.2	2.0
CONTRACT PERSONNEL	75.0		75.0	XXXXX	75.0		75.0	XXXXX
HOUSING EXPENSES	185.0		185.0	7.0	198.0		198.0	7.0
OFFICE OPERATIONS	415.9		415.9	XXXXX	530.9		530.9	XXXXX
TOTAL	1,138.5		1,138.5	XXXXX	1,266.5		1,266.5	XXXXX
RECONCILIATION	332.6		332.6	XXXXX	332.6		332.6	XXXXX
MISSION ALLOWANCE	805.9		805.9	XXXXX	933.9		933.9	XXXXX

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FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 PROPOSED			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	579.7		579.7	6.0
F.N. DIRECT HIRE	10.2		10.2	2.0
CONTRACT PERSONNEL	75.0		75.0	XXXXX
HOUSING EXPENSES	324.5		324.5	8.0
OFFICE OPERATIONS	567.1		567.1	XXXXX
TOTAL	1,556.5		1,556.5	XXXXX
RECONCILIATION	405.1	XXXXX	XXXXX	XXXXX
MISSION ALLOWANCE	1,151.4	XXXXX	XXXXX	XXXXX

WORKFORCE AND OPERATING EXPENSE NARRATIVE

UGANDA

During FY's 1982-1984 the Operating Expense Budget requirements for USAID/Uganda are larger than they will be for the outyears. The reasons for this include the following: the mission is new and there are heavy capital requirements associated with establishing housing and office space; the mission staff will be growing over the 1982-1984 period; we must replace household furnishings taken away from USAID/Uganda's inventory earlier by AID/W during a period of program uncertainty; the high cost of operation in Uganda while the overvaluation of the Ugandan shilling continues; the need for USAID to furnish directly many support services that the understaffed JAO cannot provide; the unavailability of goods on the Ugandan market and the need to procure them in Kenya or abroad (with associated higher transport costs); the high cost of security improvements to housing, office and warehouse space as well as the need for 24 hour a day guard services on all USAID properties; and heavy international travel requirements as AID/W and other personnel consult on program and project development.

U.S. Direct Hire personnel costs will rise sharply in FY's 1983 and 1984. This is because two new personnel will be on board with large salary, COLA and differential requirements. We assume that new personnel will have families and this will entail the addition of education allowances and travel. In FY 1983 five USAID personnel will be eligible for R&R, the same number as FY 1984, compared to no R&R funding in FY 1982. Also, in FY 1984 we assume that there will be a wholesale turnover in USAID staff, thus raising post assignment costs.

Contract personnel requirements are high throughout the FY 1982-1984 period. This is due to the difficult living and working conditions in Uganda and the need to have honest and dependable assistance available to the mission to work on management operations and to supervise the renovation and maintenance of USAID financed housing, warehouse, office space, and appliances. These services cannot be supplied from the severely understaffed de facto JAO operation we now have with the Embassy. In fact, the Embassy has decided to employ contract personnel to supplement its limited JAO staff. Even though we plan to have a Management Officer arriving in FY 1982 there will be a continuing need for the two contract positions, particularly as project activity expands and we have a larger number of project-funded contract personnel on board. Fluctuations in annual obligations for contract personnel reflect only variations in the length of the contract period, but not the requirement to have two full time contractors on board during the late FY 1982 through FY 1984 period.

Housing represents a very high cost for the operation of this mission, but it is budgeted at minimum requirements. Over the past ten years virtually no housing acceptable to western standards was constructed in Uganda. Residences that existed before Amin came to power in 1971 were run down over the following decade, confiscated from their legal owners, occupied illegally by associates of Amin's regime who had no interest in their maintenance, lost access to public utilities (water, sewerage, electricity, trash collection, telephones, etc.) as they ceased to operate in many parts of Kampala, and were finally looted and partially destroyed during the Liberation War. To compound this problem, title to many potential residences is in question given the 1972 expulsion of Asians from Uganda and outright government confiscation of much of the housing stock. The government is now determined to return this property to its rightful owners. As a result of all these problems there is an extremely limited number of houses available for which clear title of ownership is available. Now that the foreign community is returning to Uganda we find that we are competing with each other for the limited housing stock. Further, even though an adequate "shell" may be leased, staggering renovation and maintenance costs must be incurred before housing is minimally acceptable to USAID personnel. In the past we have been successful in negotiating leases whereby the landlord absorbs renovation costs through reduced rental income over the course of the lease. USAID, however, must fund housing renovation costs upon the initiation of a lease.

Individual dwellings (the only style available in Kampala) are now going for \$10,000-\$15,000 per year, and renovation costs often exceed \$40,000, just for one residence! Since we have been successful in negotiating 4-5 year leases with 4-5 year extension clauses AID costs will be heaviest in 1982-1984, with substantial reductions thereafter as renovation costs are amortized.

Our housing costs are high also because of the need to procure new sets of household furnishings. USAID had three sets of HHE in FY 1981, but we had to turn them over to another mission during a period in which the growth of the Ugandan program was in question. We must now replace these furnishings. In addition, we must return all Embassy furniture and appliances loaned to USAID for use in our four flats of transient housing, and this will incur additional costs.

The cost of office operations is increasing because of the arrival of new USAID staff in FY 1983 and the need to budget for additional travel, supplies and materials, local support staff, and communications. We estimate that FAAS charges will go up significantly as the intensity of Embassy support services increases commensurate with new staff and more project-funded activities get underway. We anticipate that office rent will go up during FY 1983 as the lease on the USAID building comes up for renegotiation in January, 1983. Furthermore, we will need to begin replacing vehicles in USAID's motor pool in FY's 1983 and 1984.

We propose an additional US Direct Hire employee in FY 1984 beyond the Approved Workforce Level for a total of six employees. This would bring on board staff up to the approved MODE ceiling. Our previous recommendation of five US Direct Hire employees for USAID/Uganda was based on the project portfolio as of October, 1981. Since that time we have obligated \$3 million in additional project funding and plan to obligate \$3 million more this fiscal year. Currently projected staff should be able to manage these funds along with the proposed FY 1983 activities. However, during FY 1984 the program will be moving toward much more personnel-intensive project activities, and we believe that an additional Project Officer position should be established. This could be accomplished by reclassifying the Program Officer position as a Project Officer, and leaving the Director to handle all program responsibilities. However, since the level of development assistance to Uganda will be increasing we believe that there will be a continuing need for a Program Officer. An alternative would be to reclassify the Management Officer position as a Project Officer. This would impose a considerable burden on mission staff already facing difficult administrative and logistical problems. However, if the mission were able to secure skilled Personal Services Contractors, it might be possible to abolish the Management Officer position and continue at the Approved Workforce Level of five US Direct Hire employees.

Table VIII (b)

Obligation for WP Systems

($000)

	Fiscal Years		
	1982	1983	1984
A. Capital Investment in W/P Equipment	-	10	10
B. W/P Equipment Rental and Supplies	-	-	-
C. Other W/P Costs	-	-	5
Total	0	10	15

NARRATIVE STATEMENT - WP - UGANDA

USAID/Uganda would like to procure one Wang WP-5 along with one work station in FY 1983. We propose to add an additional work station in FY 1984. The reason for this procurement is to improve the efficiency of our operations and to relieve our overburdened secretarial staff so that they can focus on less repetitive and time consuming tasks. This Mission already has a large number of letters and memoranda of a similar nature that could be handled more efficiently if we had a word processing capability. Furthermore, many reports and other written items must go through several drafts before they are submitted. During FY's 1983-1984 USAID will have four PID's and PP's to prepare, a CDSS to prepare, and a much larger number of standard reports, letters, and other items we will need to prepare as the USAID staff expands. We believe that our growing workload will fully justify the need for a word processing capability. We would like for M/SER/DM/PS&E to arrange for a technical assistance assessment of USAID's needs early in FY 1983 with equipment to be installed as soon as possible thereafter.

Country/Office Uganda

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

	FY 1982						Estimated FY 1983						Projected FY 1984					
COMMODITIES	Agreement		Shipments		Carry into FY 1983		Agreement		Shipments		Carry into FY 1984		Agreement		Shipments		Carry into FY 1985	
	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT
Title I																		
Vegetable Oil (drum)	-	-	-	-	-	-	-	-	-	-	-	-	2.0	2,861	2.0	2,861	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	2.0	2,861	2.0	2,861		
Of which Title III			-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total																		

COMMENT: Commodities must be delivered uniformly over the course of FY 1984 in order for the GOU to meet ocean freight and prepayment commitments.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE XII

Country/Office Uganda

PL 480 TITLE I/III

Supply and Distribution
(000 Metric Ton)

STOCK SITUATION	FY 1983	Estimated FY 1984
Commodity - Vegetable Oil		
Beginning Stocks	0	0
Production	.3	.5
Imports	-	-
Concessional	0	2.9
Non-Concessional	.1	.2
Consumption	.4	3.6
Ending Stocks	0	0

Commodity -		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Commodity -		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Comment: Above data includes only rough estimates. During the most recent year for which data is available Uganda produced 1,700 tons of vegetable oil (1977). Since then production has declined. We estimate that given the extreme foreign exchange shortage only 100 tons of vegetable oil will be imported in FY 1983, and none will be provided (except for extremely limited relief feeding) on concessional terms. Production should increase to 500 tons in FY 1984 and the PL 480 program will be the only source of concessional assistance. All imports will be immediately consumed in view of the current extremely high demand.

PL 480 NARRATIVE

Uganda is a potentially rich and fertile country and under normal circumstances should not need PL 480 assistance. However, Uganda's current needs are related to the decapitalization of small farmer production over the past decade, inappropriate government policies that did not encourage production, the deterioration of the once-strong cooperative movement, the nationalization of productive enterprises and stifling of private sector initiative, and the failure to allocate foreign exchange for spare parts, replacement machinery and raw materials. This is manifested in the area of vegetable oil production. Uganda once met its need for vegetable oils from domestic production, primarily of cotton seeds. Over the years government controlled prices fell below production costs, cooperatives failed to pay for crop deliveries, ginneries fell into disrepair, and oil processing facilities could not operate at government controlled prices--even though most of them were nationalized government enterprises. As a result, current oil production for commercial sale is estimated to be only some 200-300 tons in FY 1982, far below the peak production of 15,400 tons in 1971. The only commercially available vegetable oil is that smuggled in or extremely limited legal imports used for soap production.

FY 1984 would be the first year of a PL 480 Title I program for Uganda. All previous PL 480 assistance has been Title II emergency assistance to help relieve the problems caused by drought and the social dislocation caused by the War of Liberation. New obligations for the Title II program ended in FY 1981, and additional commitments under this Title are unlikely at this time. The Title I program would be tied into our objectives of rehabilitating agricultural production and stimulating private sector development. It would be a limited program, covering only FY's 1984 and 1985.

Uganda's need for vegetable oil seed is very large. Oil seed is required for edible vegetable oil, for soap production, and for oil cake for livestock feed. Demand for edible oil exceeds 16,000 tons per year, but we estimate that less than 2% of this is now available in Uganda. As a result oil is extremely expensive; a liter of oil now sells for approximately $9 at the official rate of exchange, or closer to $20 in terms of the real purchasing power of the Ugandan shilling.

The Title I program will be an integral part of our ongoing assistance program. It will provide no disincentive to domestic production; rather it will help revive the private sector oil processors that ultimately will meet the country's needs. The PL 480 program will provide a needed food commodity as we work to develop an indigenous source of oil seeds. Efforts to establish a viable alternative to cotton seeds will commence in FY 1984 with the Oil Seed Production project. Suitable oil seeds, however, most likely will not have been tested and extended to small farmers until FY 1986. Thus, the PL 480 program will help bridge the gap in Uganda's edible oil requirements until domestic production can be increased.

This program will reinforce our efforts to strengthen Uganda's private sector and help the government divest itself of parastatal enterprises. Most oil processing facilities were nationalized during the Amin years. The government has agreed to return these to their previous owners or sell them to the private sector or cooperatives. The new owners will need some capital to replace machinery and to procure spare parts. This will be financed through the Oil Seed Production project on commercial terms. We will assist them in reestablishing their marketing and distribution channels through the PL 480 program. We plan to have the GOU import the Title I edible oil, sell it to the oil processors, and permit them to distribute it through newly established retail channels.

Counterpart funds generated will be used for two purposes. First, the oil seed processors will need local currency to cover the costs of rehabilitating their mills. Counterpart funds could be loaned to them for this purpose. Second, there will be a substantial local currency requirement for training and extension work under the Oil Seed Production project and counterpart funds can be used to help finance these costs.

The demand for edible oil is so large in Uganda that PL 480 commodities most likely will move directly from the port to retail consumers. Storage problems would be minimal, particularly since the oil processors have a large capacity for safeguarding their own production.

The major issue we see concerning this program is the ability of the GOU to finance ocean and inland freight costs and to make the required prepayment. The GOU is confident, however, that if shipments are staggered over the course of the fiscal year that it should be able to cover all required costs.

Non-Bilateral Funded Activities - Uganda

Project Title and Number:	Improved Rural Technology, 698-0407
Date Started:	FY 1982
Terminal Date:	FY 1983
AID Office of Responsibility:	AFR/RA
Life of Project Cost:	$100,000 (estimate)
Priority:	Medium

Project Title and Number:	African Manpower Development II, 698-0433
Date Started:	FY 1982
Terminal Date:	FY 1988
AID Office of Responsibility:	AFR/RA
Life of Project Cost:	$672,000 (estimate)
Priority:	High

Project Title and Number:	African Manpower Development, 698-0384
Date Started:	FY 1979
Terminal Date:	FY 1981
AID Office of Responsibility:	AFR/RA
Life of Project Cost:	$288,000 (estimate)
Priority:	High

Project Title and Number:	African Labor Development II, 698-0442
Date Started:	FY 1982
Terminal Date:	FY 1984
AID Office of Responsibility:	AFR/RA
Life of Project Cost:	$150,000 (estimate)
Priority:	Low

Project Title and Number:	Special Self-Help Development Activities, 698-9901
Date Started:	FY 1980
Terminal Date:	Continuing
AID Office of Responsibility:	AFR/RA
Life of Project Cost:	Continuing at $100,000 per year (estimate)
Priority:	High

Project Title and Number:	Program for International Training in Health (INTRAH)
Date Started:	FY 1982
Terminal Date:	FY 1985
AID Office of Responsibility:	S&T/POP
Life of Project Cost:	$400,000 (estimate)
Priority:	High

Project Title and Number:	Johns Hopkins Program for International Education in Gynecology and Obstetrics
Date Started:	FY 1981
Terminal Date:	FY 1984
AID Office of Responsibility:	S&T/POP
Life of Project Cost:	$250,000 (estimate)
Priority:	Medium

Project Title and Number:	Population: Worldwide Training Funds
Date Started:	FY 1981
Terminal Date:	Continuing
AID Office of Responsibility:	S&T/POP
Life of Project Cost:	Continuing at approximately $65,000 per year (estimate)
Priority:	High