

UNCLASSIFIED

**Annual Budget  
Submission**

FY 1989

**UGANDA**

BEST AVAILABLE

May 1987



Agency for International Development  
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UNCLASSIFIED

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## INTRODUCTION

Uganda is poised for significant economic growth. In the early 1970's Uganda experienced sustained economic growth largely based on its rich agricultural resources. Industry was developing, agricultural exports were at high levels and the country had one of the best educational systems in Africa, including a first rate national university. Health services were among the best on the continent.

Uganda's development during its fortunate first decade as an independent state was eroded by political misrule, economic mismanagement and civil war during the 1970's and early '80s. However, with the coming to power of the National Resistance Movement led by Yoweri Museveni in January, 1986, Uganda's prospects have improved. A new sense of optimism prevails in the country. While fighting continues with remnants of the forces of the former government in the north-central region, the rest of the country, constituting 80-85 percent of the population, now lives in relative peace and security. This is no small accomplishment in a country that has experienced 16 years of misrule and civil war. Now some 18 months in power, the new Government has embarked on a comprehensive economic reform program that includes devaluation, increased producer prices, privatization of parastatals, the lifting of subsidies on fuel, housing and utilities, and a four-year national investment plan. While the shock of the reform was somewhat traumatic, the country is now positioned for a return to economic prosperity. It will probably take two years for the reforms to fully take effect and produce the desired results. Substantial donor inputs will be required over this period to help ease the financial strain and provide the necessary resources for economic rehabilitation and growth. Led by the IBRD and IMF, the U.S., E.E.C., and European bilateral programs are providing cash, commodities, and technical assistance with the goal of helping restore the country's economic infrastructure and productive capacity to its former 1971 level.

The AID program is a solid mix of rehabilitation and development projects largely directed toward the private sector in the fields of agriculture and agribusiness. Family planning and short-term food aid are also important aspects of the program. Six new or extended activities will take place during FY 1987 and 1988. In FY 87, a PL 480 Section 202 sales program began and will be followed later in the year by a Section 206 program. The Section 202 program is for 6 months at a funding level of \$10 million. The follow-on Section 206 program will be for two to three years at a total cost of \$30 million (neither amount includes shipping). On the project side, two changes will take place in FY 1988; The Manpower For Agricultural Development Project will be extended for five years to strengthen our contribution to agricultural research and improving the teaching and research capability of the Faculty of Agriculture, Makerere University.

Our new start, Cooperative Agriculture and Agribusiness, is a follow-on to Food Production Support. It will expand our work with cooperatives making available agricultural inputs and improving access to agricultural markets for small farmers. Project descriptions follow on both. In addition, the Mission is designing a \$10 million African Economic Policy Reform Program proposal for FY 1988. The 6th area of new program emphasis is AIDS Control. Uganda is one of the few African countries to openly face the problem and USAID intends to assist in checking the disease.

The management capabilities of the Mission are also being enhanced. A direct hire health/population officer position has been approved. The officer will be responsible for the population project, ORT, child survival and our recent involvement in AIDS prevention and control. A new PSC position will be established to work directly with the Ministry of Health on the population project. A PSC position will also be established in the Agriculture Office to assist in the design of the follow-on Manpower For Agriculture Development Project and to assist the monitoring and evaluation of the on-going and expanding agricultural portfolio. These increases to eight USDH and four PSC's, along with a very competent Ugandan staff, will allow the Mission to meet continuing and new responsibilities of an expanding program.



FY 1989 ANNUAL BUDGET SUBMISSION

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION (\$000)  
Country Uganda

APPROPRIATION ACCOUNT PROJECT NO. TITLE	L/G	FY 87 ESTIMATE	FY 88 ESTIMATE	FY 89 AAPL
<u>AGRICULTURE, RURAL DEV. AND NUTRITION</u>				
6170103 MANPOWER FOR AG. DEV.	G	-	1,000	4,000
6170104 REHAB. OF PRODUCTIVE ENT.	G	5,350	4,000	2,850
6170111 COOPERATIVE AGRICULTURE AND AGRIBUSINESS	G	-	2,000	3,150
APPROPRIATION TOTALS		5,350	7,000	10,000
GRANTS		5,350	7,000	10,000
LOANS		-	-	-
<u>HEALTH AND FAMILY PLANNING</u>				
6170110 CHILD SURVIVAL	G	200	1,000	-
DA APPROPRIATION TOTALS		200	1,000	-
GRANTS		200	1,000	-
LOANS		-	-	-
ADF TOTALS		5,550	8,000	10,000
GRANTS		5,550	8,000	10,000
LOANS		-	-	-
<u>ECONOMIC SUPPORT FUND</u>				
AFRICA ECONOMIC POLICY REFORM PROGRAM	G	-	10,000	-





FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE IV ATTACHMENT 1  
CHILD SURVIVAL  
( \$000 )

617 - UGANDA

APPROPRIATION ACCOUNT <u>PROJECT NO. TITLE</u>	<u>L/G</u>	LIFE OF <u>PROJECT</u>	FY 87 <u>ESTIMATE</u>	FY 88 <u>ESTIMATE</u>	FY 89 <u>AAPL</u>
Health and Family Planning					
617-0107 Oral Rehydration	G	3,600	-	-	-

AFRICA BUREAU TABLE 1

FY 1989 ANNUAL BUDGET SUBMISSION  
FUNCTIONAL ATTRIBUTION  
(\$000)

<u>Project</u>	<u>Shadow Functional Account</u>	<u>FY 1988 BUDGET ALLOCATION</u>	<u>FY 1989 BUDGET ALLOCATION</u>
6170103 Manpower for Agricultural Development	ARDN	1,000	4,000
6170104 Rehabilitation of Productive Enterprises	ARDN	4,000	2,850
6170111 Cooperatives and Agro-Industry	ARDN	2,000	3,150
6170110 Child Survival	HEALTH	<u>1,000</u>	<u>-</u>
		8,000	10,000

AFRICA BUREAU TABLE II

FY 1989 ANNUAL BUDGET SUBMISSION  
PIPELINE ANALYSIS AND MODIFICATIONS TO LOP AND PACD  
(2000)

Project Number	Project Name	Total Cost Auth Plan	Obligated Thru FY 1986	FY 86 Pipeline	FY 1987		FY 1988		FY 1989		Proposed PACD	
					Oblig.	Expend.	Oblig.	Expend.	Oblig.	Expend.		
6170102	Food Production Support	11999	11999	4678	-	3900	-	778	-	-	9/30/88	Same
6170103	Manpower for Agr. Dev.	13100	22400	7343	-	3000	1000	3000	4000	3000	9/30/88	9/30/93
6170104	Rehab. Productive Ent.	18200	18200	5896	5350	6000	4000	8000	2850	4200	9/30/89	Same
6170108	Rural Econ. Recovery	5482	5482	5482	-	1500	-	1500	-	1500	9/30/90	Same
6170109	M. Milk Ag. Rehab.	4362	4362	4362	-	1500	-	2000	-	862	9/30/89	Same
6170111	Cooperative Agriculture and Agribusiness	-	19500	-	-	-	2000	-	3150	2000	-	9/10/95
6170107	Oral Rehydration	3600	3600	2887	-	1000	-	1000	-	572	6/11/89	Same
6170110	CHILD Survival	-	1200	-	200	100	1000	500	-	600	TND	Same

AFRICA BUREAU TABLE III  
 FY 1989 ANNUAL BUDGET SUBMISSION  
 (\$000)

PVO ACTIVITIES

COUNTRY: UGANDA

Project	Project Name*	PVO Name (US/Non US)	Function Span of Account	PVO LOP	PVO LOP for Total Project and % of Total	FY 87 Obligation	FY 88 Obligation	FY 89 Obligation
617-0109	West Nile Agricultural Rehabilitation (B)	CARE (US)(with subgrant to Experiment in Inter-national Living) (US)	ARND	FY86-89	4,300-100%	-	-	-
617-0102	Food Production and Support	ACDI (US)	ARDN	FY82-88	2,700-23%	-	-	-
617-0108	Rural Economic Recovery	ACDI (US)	ARDN	FY87-89	3,400-60%	-	-	-
617-0111	Cooperative Agriculture and Agribusiness	PVO (US)	ARDN	FY88-95	3,000-17%	-	3,000	-
	Child Survival	CARE (US)	HE	FY86-88	734-100%	-	-	-
	Child Survival	Minnesota International Health Volunteers (US)	HE	FY86-88	389-100%	-	-	-
617-001.01	Disaster Declaration: Relief to War Damaged Areas (C)	League of Red Cross (Nor. US)	OFDA	FY86/87	500-100%	-	-	-

\*(B) Bilateral (R) Regional (C) Central

AFRICA BUREAU TABLE IV  
FY 1989 ANNUAL BUDGET SUBMISSION  
(\$000)

PRIVATE SECTOR ACTIVITIES

Project #	Project Name*	Implementing Organization (US/None US)	Function Account	Private Sector LOP Span	Priv. Sect. LOP Total Project and % of Total	FY 1987			FY 1988			FY 1989					
						ARND	FY 81-87	11,999-960 <sup>1/</sup>	ARND	FY84-88	18,200-1000 <sup>2/</sup>	ARND	FY86-89	4,300-550	AREN	FY88-91	19,500-900 <sup>2/</sup>
617-0102	Food Production Support (B)	Ministry of Cooperatives and Marketing	ARND	FY 81-87	11,999-960 <sup>1/</sup>	-	-	-	-	-	-	-	-	-	-	-	-
617-0104	Rehabilitation of Productive Enterprises (B)	Bank of Uganda (Non US)	ARND	FY84-88	18,200-1000 <sup>2/</sup>	5,350	4,000	2,950	5,350	4,000	2,950	5,350	4,000	2,950	5,350	4,000	2,950
617-0109	West Nile Agricultural Rehabilitation (B)	CARE (US) and FII (US)	ARND	FY86-89	4,300-550	-	-	-	-	-	-	-	-	-	-	-	-
617-0108	Rural Economic Recovery	Uganda Commercial Bank (Non US)	ARND	FY86-90	5,482-1000	-	-	-	-	-	-	-	-	-	-	-	-
617-0111	Cooperative Agriculture and Agribusiness	TRD	AREN	FY88-91	19,500-900 <sup>2/</sup>	-	2,000	3,150	-	2,000	3,150	-	2,000	3,150	-	2,000	3,150

<sup>1/</sup> 63% of project funding has reached/will reach small farmers through private cooperatives and 33% finances the PVO.

<sup>2/</sup> 76% of project funding will go to private Ugandan loan recipients; remaining project funds will go to private Ugandan and U.S. technical assistance firms.

<sup>3/</sup> 70% of project funding will reach small farmers through private cooperatives and 17% will finance the PVO.

\* (B) Bilateral; (R) Regional; (C) Central



AFRICA BUREAU TABLE VI  
FY 1989 ANNUAL BUDGET SUBMISSION  
LOCAL CURRENCY TABLE

(\$000 - Calculations are based on the new exchange rate of 60 shillings to dollar)

Total Generations	Economic Support Funds		Development Assistance			Other		
	Prog Sup	Projects	OE	T/F	Food Dist.		Emerg.	Dev. Prog
CARRY IN	-	-	98	-	-	-	-	-
<u>CURRENT YEAR GENERATIONS (FY 1987)</u>								
Food Production Support	-	-	605	95	-	-	-	-
Rural Economic Recovery	-	-	320	-	-	-	-	-
<u>Total Expenditures</u>					<u>FY 1988 (Planned)</u>	<u>FY 1989 (PROJECTED)</u>		
ESF								
Development Assistance	-	-	-	-	-	-	-	-
Public Sector Activities	-	-	370	-	730	-	570	-
Private Sector Activities	-	-	100	-	400	-	300	-
Recurrent Budget Support	-	-	-	-	-	-	-	-
A.I.D. Operating Expenses	-	-	95	-	180	-	200	-
Unexpended Balance	-	-	553	-	303	-	293	-
PL 480								
Public Sector Activities	-	-	-	-	2,000	-	11,100	-
Private Sector Activities	-	-	-	-	3,900	-	3,900	-
Recurrent Budget Support	-	-	-	-	-	-	-	-
A.I.D. Operating Expenses	-	-	-	-	-	-	-	-
Unexpended Balance	-	-	-	-	100	-	100	-

LOCAL CURRENCY NARRATIVE

Local currency has been made available through commodity sales under various development assistance projects. The 1979 Commodity Import Program and the Food Production Support project generated through commodity imports approximately \$800,000 in shillings (calculated at the current exchange rate, 60 USh (Uganda Shillings) to the dollar). Of this amount 92 percent has been deposited in a special bank account. In FY 87 the Rural Economic Recovery project also started generating local currency through its commodity import element. Approximately 9 percent of the liability has been recognized and deposited with the remaining 91 percent to be generated over the remaining life of the project (PACD 9/30/90). The available funds from these projects have been committed to various public and private sector activities and the local currency costs of the Mission's operating expenses.

During 1987 an agreement was signed between the U.S. Government and Uganda to enable the country to receive commodities through a PL 480, Title II, Section 202 program. The local currency generated through this agreement will be available for use around the start of FY 88. It is difficult to determine the true dollar value of the generated shillings due to the fact that the new exchange rate is still over valued. In early May when the rate was 1,400 USh to the dollar, \$10 million in PL 480 (plus \$3 million shipping costs) food would have generated about \$52 million in shillings. In late May, with the exchange rate decreased to 60 USh to the dollar, \$13 million will be generated. As further adjustments in the foreign exchange rate take place, the dollar value of local currency generation will continue to decline.

The local currency from all sources will be utilized for various public development activities, private sector programs and the Mission's operating expenses. A more detailed breakdown can be found in Table VI: Expenditure of Local Currency Generations.

During FY 87, the Mission acted upon recommendations outlined in the June 1986 financial review performed by an independent accounting firm. Accounting procedures are now set up and implemented to insure that the host country calculates its liability properly and that the money is deposited in a timely manner. In order for a project to receive local currency, a project submission proposal must be prepared by the project officer and submitted to the Mission and the Uganda Government for review and approval. As soon as approval is given, the project will receive a first quarterly advance. The project officer has the responsibility to prepare and submit to the Mission and GOU quarterly project implementation reports. Once reports are submitted and reviewed the project is eligible for its next quarterly advance. Proper accounting records are maintained to insure that individual projects do not receive more funds than were approved.

AFRICA BUREAU TABLE VI  
 FY 1989 ANNUAL BUDGET SUBMISSION

COUNTRY: UGANDA

LIST OF PLANNED EVALUATIONS

Project Title/Number	Last Eval.	FY 1988		FY 1989		Type	Punding Source	Punding 000s	USAID Time (work days)	Other Time
		Start	Finish	Start	Finish					
Family Health Initiatives (698-0662)	N/A	4	4			Threshold	Project	18	10	2 PSCs for 10 working days.
Manpower for Agricultural Development (617-0103)	N/A	PY 87	1			Threshold	Project	14	10	1 PSC research agronomist; 1 AID/M or REDSO agriculturalist for 10 working days
Rehabilitation of Productive Enterprises (617-0104)	N/A	2	3			Threshold	Project	20	10	2 PSCs for 10 working days plus local consultants

Evaluation officer: Kurt Shafer (10)

Other Activity Narrative

Food Programs:

The Mission will be completing a two-to-three-Year Title II Section 206 program in FY 1988 or 1989. If the economic reforms now being enacted take hold as expected, and significantly increase agricultural production, future year Title II programs to Uganda should not be necessary.

PVO Activities:

USAID Uganda is collaborating with several PVO's in both bilateral-and centrally-funded projects and welcomes further PVO involvement. Two PVOs are deeply involved in our bilateral program. Agricultural Cooperatives Development International (ACDI) has long played a pivotal role in mission activities. It was instrumental in getting the cooperatives movement started in Uganda in the 1960's and is currently involved in the implementation of two bilateral projects, Food Production Support and Rural Economic Recovery. ACDI or a similar organization will also provide technical assistance in our only new start in FY 1988, Cooperative Agriculture and Agribusiness. ACDI consults with the Mission on a frequent basis. CARE also plays an important role in the mission portfolio by implementing the West Nile Agricultural Rehabilitation Project. As with ACDI, CARE has been involved in development activities in Uganda since the 1960's. In addition, using central funding, AID financed a forestry project which CARE has managed over the past four years.

Future year funding will be provided by IBPD. CARE is also implementing a centrally funded child survival project. Consultation takes place with CARE on a weekly basis and AID officers visit the West Nile site every two to three months. Experiment in International Living (EIL) is assisting CARE in the West Nile project by providing the deputy coordinator. EIL has also been selected by the Government of Uganda to manage a local currency project--PVO Development Initiatives. It will be responsible for all international and Ugandan PVO proposals to be financed under the project. We meet with EIL on a weekly basis. The Minnesota International Health Volunteers are implementing a centrally-funded child survival activity and the League of Red Cross Societies is providing OFDA funded disaster assistance. We meet with each every six months. We also expect a child survival proposal from Africare at some point in the future and plan to finance World Wildlife Fund (WWF) activities in natural resource preservation from local currency. Ugandan PVO's are primarily represented by the health and development arms of the Protestant and Catholic Churches. As an indication of their involvement, some 60 percent of health services in the country are provided by the two churches. We plan to support some of their child survival

and agricultural development activities under the PVO Development Initiatives local currency project. PVO's have no influence in the programming of bilateral assistance. They do, however influence the programming of local currency with WWF being the best example.

#### Natural Resource Management And Biological Diversity

While the Mission does finance a research oriented project, Manpower for Agricultural Development, we do not claim that it promotes natural resource management. A Nairobi-based international research organization, ICRAF, has however begun implementing a centrally and regionally funded activity in the highlands of four East African countries. The project, Agro Forestry Research Network for Africa (AFRENA), is a five year \$2.7 million effort and it is expected that one fourth of these funds (\$700,000) will be for Uganda divided equally in FY's 1988/89. Most importantly in terms of concrete action in which progress can be observed is the (WWF)/CARE/ Stanford University Centre for Conservation Biology (SUCCB) proposal to save the forests of Southwest Uganda. The Mission intends to finance local currency requirements of this and other such action proposals. It is currently estimated that \$500,000 will be provided in FY 1988 and \$700,000 in FY 1989. These levels will be increased as other such activities are identified.

#### Agricultural Research And Faculties Of Agriculture:

Since FY 83, Mission has been implementing a \$9.9 million Manpower for Agricultural Development Project (617-0103) with two entities--the Ministry of Agriculture and Forestry and Makerere University. The project is supporting these two institutions in the rehabilitation of their research, teaching and extension capabilities through retraining of agricultural research and teaching staff; rehabilitation and re-equipping of agricultural research and teaching facilities; support for individual research proposals; retraining of extension staff; and the development of linkages between agricultural research and extension activities. The project ends in FY 88, but a five year, \$12.5 million phase II extension is planned (see new projects section for more details). In FY 1988, \$1 million plus \$ 300,000 in local currency and in FY 1989 \$ 4 million and another \$ 300,000 in local currency are currently programmed.

#### Child Survival Activities:

The Mission is supporting child survival thru central grants to Minnesota International Health Volunteers (MIHV) and CAPE both made in FY 1986. Under a bilateral project, \$200,000 was allocated to UNICEF in FY 1987 and \$1 million is planned for UNICEF in FY 1988. Local currency will also be provided to support UNICEF and PVO child survival activities in the amount of \$1.5 million in both FY's 1988 and 89. Child survival funding supports family planning, immunization, CRT, curriculum revision and primary health care.

## COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT

### A. MAJOR DEVELOPMENT PROBLEMS ADDRESSED:

The major development problems addressed by this project are cooperative (private sector) support and agriculture input supply and produce marketing. While cooperatives have had a questionable record in Africa, they have performed well in Uganda and even managed to grow during the Amin years. Since 1980 the cooperatives have played an important and growing role by providing critical input distribution and marketing services for hundreds of thousands of farm families throughout Uganda (there are about twice as many cooperatives registered today as there were in 1979).

Cooperatives face important constraints, but even after 15 years of economic mismanagement and civil war, they provide services generally superior to those available to farmers in other parts of East and Southern Africa.

In preparing the Missions' Concept Paper, alternatives to assisting the cooperative movement were considered, but in the final analysis it was determined that USAID should continue to assist the cooperative movement in Uganda. This proposed activity is a follow-on to the Food Production and Support Project (FPAS), which was evaluated in April of this year. While the FPAS project was judged successful, lessons were learned which will be built into the new project. Also, the evaluation of FPAS has helped USAID and the parent ministry to identify basic institutional and policy issues that must be resolved before Uganda's cooperative movement can efficiently serve agricultural development objectives. The evaluation recommended that both the current project and cooperative agreement with Agriculture Cooperative Development International (ACDI) should be brought to an orderly close and that efforts should begin immediately to design a follow-on project to address key constraints facing cooperatives today.

### B. PROJECT PURPOSE:

The Cooperative Agriculture and Agribusiness Support Project (CAAS) will support national goals of increasing agricultural production, diversification, import substitution and export expansion. The project purpose will address these goals by providing assistance to the cooperative movement to place input supply and commodity marketing on a sound commercial basis and by seeking to simulate agribusiness development. This will require policy dialogue at reform, and as well as carefully-targetted project support. Achievement of this purpose will strengthen the Mission's strategic objective of

increasing food production while promoting renewed private sector growth and development in Uganda.

C. PRELIMINARY PROJECT DESCRIPTION:

1. Major Components & Activities:

The main elements of the CAAS Project support Mission's policy agenda. These elements are private agribusiness support, pricing policy and planning, input supply and agriculture finance, education/training, and financial management. Each is outlined below.

A. Agribusiness Support

This project element will encourage agricultural diversification and a broadening of the commercial base of the cooperatives. The need for agribusiness development is widely recognized in the Government and in the cooperative movement. The Ministry of Cooperatives and Marketing (MCM) has compiled a portfolio of two dozen agribusiness project proposals some of which have been partially funded. The Uganda Cooperative Alliance (UCA) is preparing to establish a business development service. Many of the larger, financially viable district cooperative unions have begun to invest in business activities as have some larger primary societies. However, financing and other constraints have impeded movement in this direction.

The CAAS project will provide technical assistance to the Uganda Cooperative Alliance using private consulting firms to undertake feasibility studies for agribusiness investment. This assistance will help the cooperatives prepare financially viable projects that can be funded through the commercial banking system. It is expected that CAAS will facilitate access to commercial as well as donor funds, such as those made available through the Rehabilitation of Productive Enterprises (RPE) project.

Preliminary discussions suggest that likely enterprises will include a number of crop processing activities (e.g. oil seed and sugar), crop storage, transport services, tractor tillage services, dairy, poultry and specialty crop development. Some of these enterprises (specialty crops, oilseed processing) will help to broaden and diversify Ugandan agriculture; others (storage, transport) will strengthen essential agribusiness support services and facilitate improved marketing arrangements.

B. Policy and Planning

The GOU has recently embarked upon a comprehensive policy

reform program with IMF/Bank support. This makes it important to concentrate on sectoral and sub-sectoral policy issues. With regard to cooperative input supply and commodity marketing, the main issues are:

- Putting input pricing and produce marketing on a sound commercial basis to support production and recapitalization of the cooperative input and marketing system;
- Revision of the Cooperative Act of 1975 to eliminate arbitrary administrative action that reduces the independence of private, commercial cooperatives; and
- Revision of current institutional relationships to give cooperatives greater influence and eventual control over decision-making in the marketing boards.

Despite the apparent willingness of the Government generally and the MCM in particular to discuss policy questions, major improvement in agricultural input supply and marketing may take some time. The patterns of political action that have emerged and solidified over the last 15 years will not change easily or quickly. This behooves long-term support of policy analysis and planning for the cooperative movement.

### C. Input Supply and Agricultural Finance

A major objective of the project will be to improve agriculture input supply. Substantial funds will be earmarked and a CIP-like mechanism for importing commodities will be used. Commodities will be sold through cooperatives to the farmers at market prices. In addition to provision of foreign exchange, the CAAS project will establish a local currency revolving fund with the Bank of Uganda to help eligible entities obtain local currency cover for imported commodities. There is also a need for expatriate technical assistance to help UCCU implement recommendations of a recent "Assessment of the UCCU and the Uganda Cooperative Supply System" by ACDI and to help facilitate implementation of the World Bank Task Force recommendation on input distribution and commodity marketing.

The FPAS provided required production inputs to primary societies, but a continued lack of basic equipment and facilities (scales, record-keeping materials, storage) seriously undermines the ability of primary societies to provide effective input supply and marketing services. The CAAS project will address this problem by providing these items in war damaged areas and possibly in other areas through a matching grant program to assist in the rehabilitation of primary societies. To administer a matching grant program several alternatives will be explored during PP design: UCA, Bank of Uganda, and UAFA are three potential candidates.

The Food Production Support Project provided considerable assistance toward plans to establish the Uganda Agricultural Finance Agency (UAFA). The CAAS project will provide local currency and limited other support to UAFA provided that: (a) UAFA is approved by the Government; (b) a consortium of commercial banks invests in UAFA as planned; and (c) macro-economic stabilization results in a return to reasonable inflation and exchange rates. During FP preparation, careful consideration will be given to the question of whether expatriate technical assistance is needed for UAFA and if local currency and other support should be provided to other planned credit efforts (e.g. Uganda Commercial Bank). If the commercial banks invest significantly, it can be expected that they will provide the guidance and oversight needed to set this new institution (UAFA) firmly on course.

#### D. Education and Training

An education and training element will be included in the CAAS project to be implemented by the Uganda Cooperative Alliance. It will strengthen cooperatives at primary and union levels by providing continued management and technical training and will strengthen the cooperatives at the national level by increasing the influence and image of the UCA. Support to UCA for education and training will also encompass assistance to the nascent Union Manager's Association which is a potentially powerful voice for farmers and cooperatives. AID assistance will focus on commodities required to implement a training and education program as well as targetted local currency support. Both long- and short-term technical assistance is planned to assist UCA develop its training programs, conduct investment studies for agribusiness development and implement long-term planning and development.

#### E. Accounting Audit Services

Accounting and audit services emerge as a serious financial management constraint in Uganda. Poor accounting and auditing also inhibits sound management of cooperatives, and engenders problems in input distribution and marketing. The Minister of Marketing and Cooperatives has stressed the need for improved accounting and auditing and the Ministry is determined to strengthen its audit section and the Secretary-General of UCA desires to offer audit services to district unions. The CAAS project will include a significant accounting/audit improvement component by contracting with one of the respected international accounting firms already active in Uganda.

The accounting/audit component will focus at three levels:

MCM (marketing operations as well as cooperative development); central and district unions and societies and UAFA. Objective, impartial, and competent record-keeping combined with a "daylight" approach to financial management will help build trust and accountability throughout the cooperative movement.

2. Probable Target Group:

The target group are small farmers who are members of primary co-op societies. Since there are over 5000 of these societies throughout the country and since each society has an average of 120 farm families, most of the farmers in the country could benefit from the project. Even those farmers who do not belong to cooperatives will benefit from the project by having access to agriculture inputs at the district and village level and by being able to market their produce through the cooperative network.

3. Implementing Organization:

The Ministry of Cooperatives and Marketing will be the principle Government entity responsible for implementing the project, although the project will work directly with Cooperatives themselves (Central & District Unions and Primary Societies).

4. Other Donor and Mission Activities:

Since this project will focus on input distribution and commodity marketing, close coordination with other donors (especially the World Bank and EEC) who provide agriculture inputs will be required. The Swedish Cooperative Institute which is providing accounting assistance to some of the District and Central Unions (Uganda Cooperative Alliance), will be closely allied for accounting/auditing aspects of the project. Other donors and the USAID Rehabilitation of Productive Enterprise Project will play vital roles in the provision of credit for the agro-industries established by the cooperatives under this project.

5. Indicative Financial Plan:

As tentatively planned at this stage, the project will run for seven years (March of 1988 to Sept of 1994) at a total funding level of \$19.5 million dollars. Major funding will be for agriculture inputs, raw material and commodities (\$15 million), technical assistance (\$3.5 million) and training (\$1.0 million).

6. Mission Management Location:

The project will be managed in the Agriculture and Rural

Development Office of the Mission. The office is currently being augmented with one additional staff member.

**D. A.I.D. POLICY FACTORS:**

The major policy related factors of the project are addressed above; these are summarized as:

1. Putting input pricing and marketing of produce on a sound commercial, market-oriented basis.
2. Implementation of a revision of the Cooperative Act to eliminate the legal basis for arbitrary administrative action.
3. Revision of current institutional relationships to give cooperatives greater influence and control over decision-making.
4. Increased emphasis on private sector based cooperatives which are managed and controlled by the farmers.
5. Provision of assistance to at least pilot agriculture credit efforts with interest rates being market determined by the end of the project.

**E. DESIGN SCHEDULE:**

Preparation of the PID is well underway and is expected to be finalized by July 1. Since there are no major policy issues involved with approval, Mission plans to request authority to approve both the PID and PP at field level. REDSO is already providing assistance in PID preparation and will provide continuing help with the PP which is planned for completion by December 15, 1987.

MANPOWER FOR AGRICULTURAL DEVELOPMENT PROJECT (617-0103)  
EXTENSION

The Manpower for Agricultural Development Project (MFAD) was authorized in FY 83 as a \$9 million, five year project. The project was designed to assist the Ministry of Agriculture and Forestry (MAF) and Makerere University implement activities in research, extension and training and to address critical constraints in institutional support. Since late 1984 Ohio State University has been the prime contractor. In March 1985 the project was amended increasing the level of funding to \$13.1 million to increase funds for technical assistance and participant training. However, a coup in July 1985 led to a suspension of project activities which did not resume until July 1986. A shift in GOU priorities to near-term relief and rehabilitation activities in 1986 resulted in cutting \$3.2 million from this project (new LOP of \$9.9 million), and redirecting Mission funding to support activities consistent with these new priorities. As a result, the TA staff was reduced and the project was focused more sharply on activities related to food crops. An additional MAF research station requiring rehabilitation, as a direct result of the 1985/86 civil war, was added to the project. Recent insecurity in the north has reduced project activities at the Serere Research Station, preventing two advisors from being posted at that location.

The task of rehabilitation, retraining, and redirecting Uganda's manpower and institutional capabilities to food crop research is enormous and requires a long term commitment. Due to this fact and the implementation problems outlined above, the MFAD project will be extended five years to FY 94, and the LOP funding increased by \$12.5 million to a new level of \$22.4 million. During this extension, the current thrust of the project will remain, but more emphasis will be given to: (a) off-station research; (b) improving the linkages between research and extension; (c) networking with international research centers; (d) increasing the research germ plasm stock; (e) accelerating selection of improved varieties and releasing to seed schemes for multiplication; (f) converting Makerere University's research farm into a research and teaching facility; (g) improving the teaching curriculum of Makerere University Faculty of Agriculture/Forestry, including staff upgrading; (h) strengthening the post-graduate program within the Faculty; (i) consideration of the MAF Namalongo Research Station as the principle food crop research institute; (j) long term training for MAF and the University; and (k) the establishment of a semi-autonomous National Agricultural Research Organization (NARO). Considerable funds are also targeted towards physical rehabilitation and transportation to recondition facilities and enable researchers and extension personnel to increasingly interact with rural farmers.

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT 617 UGANDA

RANK	PROJECT	TITLE	NEW/ CONT	LOAN GRANT	PROGRAM FUNDING (\$000)		CUM
					APPROP	INCR	
1.	0103	Manpower for Agriculture Development	C	G	ARDN	4,000	4,000
2.	0111	Cooperatives & Agribusiness	C	G	ARDN	3,150	7,150
3.	0104	Rehabilitation of Productive Enterprises	C	G	ARDN	2,850	10,000

FY 1989 ANNUAL BUDGET SUBMISSION  
 Table VI: Expenditures of Local Currency Generations  
 (all in the U.S. dollar equivalents and in \$ Millions)

(Calculations are based on the new exchange rate  
 of 60 shillings to the dollar)

<u>Source/Purpose</u>	1986 ACTUAL	1987 EST.	1988 PLANNED	1989 PROP.
I. ECONOMIC SUPPORT FUND	-	-	-	-
II. DEVELOPMENT ACTIVITIES				
A. Public Development Activities				
1. Food Production Support	-	.1	.09	-
2. Research & Rehabilitation - Agriculture Sector	-	.11	.04	
3. Agricultural Rehabilitation - West Nile	-	.16	-	-
4. Biological Diversity	-	-	.3	.27
5. Agricultural Research and Faculties of Agriculture	-	-	.3	.3
B. Private Sector Programs, Small Enterprise Credit				
1. Cooperative and Marketing	-	.1	.1	-
2. Small Scale Enterprises	-	-	.3	.3
C. Public Sector Recurrent Budget	-	-	-	-
D. AID Operating Expenses (Trust Funds)	-	.095	.18	.2
III. PL 480				
A. Public Development Activities				
1. Statistics and Marketing Studies	-	-	.1	.1
2. Agriculture Research Rehabilitation	-	-	.3	.3
3. West Nile Agriculture Rehabilitation	-	-	.6	.3
4. Faculty of Agriculture Rehabilitation	-	-	.2	.2
5. Market Town Rehabilitation	-	-	.8	.8
6. Feeder Road Rehabilitation	-	-	1.5	1.5
7. Biological Diversity	-	-	.5	.5
8. Wheat Production	-	-	.5	-
9. Oil Seed Production	-	-	.5	.7
10. Child Survival	-	-	1.5	1.5
11. AIDS Control	-	-	1.0	1.0
12. Seed Multiplication	-	-	1.0	1.0
13. Agriculture Extension	-	-	-	.5
14. Natural Resource Management	-	-	.5	.7
B. Private Sector Programs				
1. Rehabilitation of Coops in War-Damaged Areas	-	-	1.3	1.3
2. Small Farmer Credit	-	-	1.3	1.3
3. Village Storage	-	-	.3	.3
4. PVO Development Initiatives	-	-	.5	.5
5. Coop Dairy Rehabilitation	-	-	.5	.5
C. Public Sector Budget (None)				

### Privatization Plan Narrative

Uganda is largely private sector oriented. The country displays a natural tendency to pursue open market policies through individuals who invest personal skills and privately owned resources. On the other hand, some legislation and practices, developed by past governments and remaining in place to date, inhibit private sector growth and development.

However, the GOU has recently held discussions with the IBRD and IMF on a new policy program. The resulting economic reforms and public investment plan have been incorporated into a four year Rehabilitation and Development Plan announced by the Government May 15, 1987. The program introduced a major currency reform, control over expenditures and greatly reduced financing of budget deficits by the printing of money by the Bank of Uganda. The combination of these measures are expected to curb the present hyper inflation. Also, announced were major increased price incentives for agricultural and industrial producers. The new public investment plan places priority on the rehabilitation of economic infrastructure (roads, water and communications systems). These combined measures are expected to provide significant incentives for both resource mobilization and sustained growth of the private sector in the immediate years ahead.

Because of Uganda's historical private enterprise orientation, AID's role is to foster renewed growth of the private sector in Uganda -- both short and long term -- involving selective policy dialogue and a relatively large amount of basic financial support for private sector opportunities or trends. These activities are a part of USAID's FY 1986 portfolio; given that the portfolio will not grow before FY 1988, this privatization plan covers projects as noted below.

As cited in the FY 1987 ABS, USAID pursues a policy dialogue on public divestiture and pricing policy. Prior to the July 1985 coup, some progress in divesting parastatals had been achieved. The NRM perspective on parastatals and divestiture has not yet been clearly articulated and considerable work remains to be done to achieve a more viable private sector. USAID is continuing its dialogue on this topic which may entail the use of PD&S funds for targetted economic studies. In addition, USAID encourages more training/technical assistance to upgrade the skills of regulatory agencies.

Over 90% of the population relies on agriculture for its livelihood. The vast majority of Ugandan farms are privately operated by individual families for both subsistence needs and for profit. In addition, the Ugandan GNP is overwhelmingly based on agricultural production.

Thus, the vast majority of the Ugandan economy is derived from small-scale, private agricultural production. Rather than emphasize privatization per se, the USAID goal is to strengthen what private sector tendencies already exist, and to prevent a potential return to greater state intervention in the economy.

USAID's long-term strategy emphasis on agricultural development appropriately addresses the of needs (e.g., commodities, research, extension, training, credit) of the great majority of small scale, private farmers as well as of the economy as a whole. USAID's short-term strategy goals are agricultural rehabilitation and recovery which will set the stage for longer-term agricultural growth and development.

At the farm level, USAID addresses and supports private sector needs through the provision of basic agricultural implements (Food Production Support and West Nile Agricultural Rehabilitation projects) and credit (Food Production Support and Rural Economic Recovery projects). In addition, USAID is supporting the expansion and diversification of Ugandan agriculture through the provision of investment capital to private, small to medium sized, farm enterprises and agrobased industries (Rehabilitation and Rural Economic Recovery projects). The Rehabilitation of Productive Enterprises project assists private Ugandan processors and manufacturers (1) to locally produce agricultural commodities and inputs, to stimulate even greater private agricultural production and/or (2) to process local agricultural inputs and products for domestic and export sales. The West Nile Agricultural Rehabilitation project and the Rural Economic Recovery Project provide credit support to small, private suppliers of agricultural inputs in addition to credit to small farmers directly, thereby helping to re-establish the once thriving private supply systems in Uganda.

The recently announced reform program with its lessening of economic distortions, greater incentives for domestic saving and investment, and emphasis on the rehabilitation of economic infrastructure will spur recovery and the growth of large numbers of small-to medium-sized, private, agricultural and agrobased enterprises. USAID plans to support these private efforts through our on-going portfolio in order to assist the private sector to return to the productive levels that existed in Uganda prior to the civil disturbances and economic mismanagement of the 1970's and mid-1980's.

TABLE VIII  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Units</u>
<u>U.S. Direct Hire</u>	U100	828.8	-	828.8	-
* U.S. Full time Basic Pay	U101	435.0	-	435.0	8
* U.S. Part time Basic Pay	U102	-	-	-	-
Differential Pay	U103	108.7	-	108.7	-
Other AID/W Funded Code 11	U104	3.5	-	3.5	-
Other Mission Funded Code 11	U105	-	-	-	-
* Education Allowances	U106	80.9	-	80.9	10
Retirement	U107	60.9	-	60.9	-
Cost of Living Allowances	U108	38.0	-	38.0	-
Other AID/W Funded Code 12	U109	7.0	-	7.0	-
Other Mission Funded Code 12	U110	5.4	-	5.4	-
* Post Assignment Travel	U111	2.0	-	6.3	2
* Post Assignment Freight	U112	7.5	-	22.5	2
* Home Leave Travel	U113	37.9	-	37.9	4
* Home Leave Freight	U114	15.4	-	15.4	4
* Education Travel	U115	-	-	-	-
* R & R Travel	U116	21.6	-	21.6	5
* Other Code 215 Travel	U117	5.0	-	5.0	10
<u>Foreign National Direct Hire</u>	U200	-	15.0	15.0	-
* F.N. Basic Pay	U201	-	14.8	14.8	4
* Overtime/Holiday Pay	U202	-	-	-	-
All Other Code 11 - F.N.	U203	-	0.2	0.2	-
All Other Code 12 - F.N.	U204	-	-	-	-
Benefits - Former F.N. Pers.	U205	-	-	-	-
<u>Contract Personnel</u>	U300	78.4	52.9	131.3	-
* PASA Technicians	U301	-	-	-	-
* U.S. PSC Salaries/Benefits	U302	17.2	-	17.2	0.8
All Other U.S. PSC Costs	U303	-	-	-	-
* F.N. PSC Salaries/Benefits	U304	61.2	-	61.2	2
All Other F.N. PSC Costs	U305	-	-	-	-
* Manpower Contracts	U306	-	52.9	52.9	50
<u>Housing</u>	U400	147.8	39.8	187.6	-
* Residential Rent	U401	135.2	-	135.2	2
Residential Utilities	U402	-	0.7	0.7	-
Maintenance & Renovation	U403	7.6	2.8	10.4	-
* Quarters Allowances	U404	-	-	-	-
Residential Furniture/Equip	U405	4.0	-	4.0	-
Trans/Freight - Code 311	U406	-	-	-	-
* Security Guard Services	U407	-	36.3	36.3	36
Official Residence Allowance	U408	-	-	-	-
Representation Allowance	U409	1.0	-	1.0	-

\* Unit data must be provided.

TABLE VIII  
Continued  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Uni</u>
<u>Office Operations</u>	U500	195.1	24.2	219.3	-
Office Rent	U501	42.1	-	42.1	-
Office Utilities	U502	-	0.5	0.5	-
Building Maint/Renovation	U503	-	0.4	0.4	-
Office Furniture/Equipment	U504	8.0	-	8.0	-
Vehicles	U505	29.3	-	29.3	-
Other Equipment	U506	10.0	-	10.0	-
Transportation/Freight	U507	5.0	0.3	5.3	-
Furn/Equip/Veh Repair/Maint	U508	3.0	1.6	4.6	-
Communications	U509	1.4	2.5	3.9	-
* Security Guard Services	U510	-	12.3	12.3	13
Printing	U511	-	-	-	-
* Site Visits - Mission	U513	8.8	1.4	10.2	18
* Site Visits - AID/W	U514	12.0	-	12.0	5
* Information Meetings	U515	-	-	-	-
* Training Attendance	U516	24.0	-	24.0	9
* Conference Attendance	U517	7.5	-	7.5	4
* Other Operational Travel	U518	13.0	-	13.0	5
Supplies & Materials	U519	31.0	4.7	35.7	-
FAAS	U520	-	-	-	-
Contract Consulting Services	U521	-	-	-	-
Contract Mgt/Prof. Services	U522	-	-	-	-
Special Studies/Analyses	U523	-	-	-	-
All Other Code 25	U524	-	0.5	0.5	-
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>1250.1</b>	<b>131.9</b>	<b>1382.0</b>	
Reconciliation (Less AID/W Expenses)		[615.1]		[615.1]	
Operating Budget Requirements		635.0	131.9	766.9	
636(c) Requirements	U601	-	-	-	
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	U000	<b>635.0</b>	<b>131.9</b>	<b>766.9</b>	

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases Nil  
 Exchange Rate Used (Average rate for FY 86/87) US\$ 3,322 = US\$1.00  
 Estimated Inflation Rate 30%

NOTE: FUNCTION CODE U512 (RIG OPERATIONAL TRAVEL) IS NO LONGER A VALID CODE.  
ALL RIG OPERATIONAL TRAVEL WILL BE CHARGED TO FUNCTION CODES U513  
THROUGH U518 AS APPROPRIATE.

\* Unit data must be provided.

TABLE VIII  
Continued  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Uni</u>
<u>Office Operations</u>	U500	<u>168.2</u>	<u>66.0</u>	<u>234.2</u>	-
Office Rent	U501	33.0	-	33.0	-
Office Utilities	U502	-	2.0	2.0	-
Building Maint/Renovation	U503	-	5.0	5.0	-
Office Furniture/Equipment	U504	9.0	-	9.0	-
Vehicles	U505	35.0	-	35.0	-
Other Equipment	U506	8.0	-	8.0	-
Transportation/Freight	U507	5.2	-	5.2	-
Furn/Equip/Veh Repair/Maint	U508	2.0	10.0	12.0	-
Communications	U509	-	7.5	7.5	-
* Security Guard Services	U510	-	14.0	14.0	13
Printing	U511	-	-	-	-
* Site Visits - Mission	U513	-	12.0	12.0	20
* Site Visits - AID/W	U514	8.0	-	8.0	3
* Information Meetings	U515	-	-	-	-
* Training Attendance	U516	15.0	-	15.0	6
* Conference Attendance	U517	7.0	-	7.0	4
* Other Operational Travel	U518	13.0	-	13.0	8
Supplies & Materials	U519	33.0	12.0	45.0	-
FAAS	U520	-	-	-	-
Contract Consulting Services	U521	-	-	-	-
Contract Mgt/Prof. Services	U522	-	-	-	-
Special Studies/Analyses	U523	-	-	-	-
All Other Code 25	U524	-	3.5	3.5	-
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>1,543.1</b>	<b>182.1</b>	<b>1,725.2</b>	
Reconciliation (Less AID/W Expenses)		<u>(691.1)</u>		<u>(691.1)</u>	
Operating Budget Requirements		852.0	182.1	1,034.1	
636(c) Requirements	U601	-	-	-	
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	U000	<b>852.0</b>	<b>182.1</b>	<b>1,034.1</b>	

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases	<u>NIL</u>
Exchange Rate Used (Average rate for FY 87/88)	Ushs.60 = <u>\$1.00</u>
Estimated Inflation Rate	<u>30%</u>

NOTE: FUNCTION CODE U512 (RIG OPERATIONAL TRAVEL) IS NO LONGER A VALID CODE  
ALL RIG OPERATIONAL TRAVEL WILL BE CHARGED TO FUNCTION CODES U513  
THROUGH U518 AS APPROPRIATE.

\* Unit data must be provided.

TABLE VIII  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Unit</u>
<u>U.S. Direct Hire</u>	U100	895.5	-	895.5	-
• U.S. Full time Basic Pay	U101	485.0	-	485.0	8
• U.S. Part time Basic Pay	U102	-	-	-	-
Differential Pay	U103	121.2	-	121.2	-
Other AID/W Funded Code 11	U104	5.0	-	5.0	-
Other Mission Funded Code 11	U105	-	-	-	-
• Education Allowances	U106	75.9	-	75.9	9
Retirement	U107	67.9	-	67.9	-
Cost of Living Allowances	U108	45.0	-	45.0	-
Other AID/W Funded Code 12	U109	12.0	-	12.0	-
Other Mission Funded Code 12	U110	0.7	-	0.7	-
• Post Assignment Travel	U111	4.0	-	4.0	1
• Post Assignment Freight	U112	15.0	-	15.0	1
• Home Leave Travel	U113	-	-	-	-
• Home Leave Freight	U114	-	-	-	-
• Education Travel	U115	-	-	-	-
• R & R Travel	U116	53.8	-	53.8	6
• Other Code 215 Travel	U117	10.0	-	10.0	14
<u>Foreign National Direct Hire</u>	U200	-	12.0	12.0	-
• F.N. Basic Pay	U201	-	11.3	11.3	4
• Overtime/Holiday Pay	U202	-	-	-	-
All Other Code 11 - F.N.	U203	-	0.5	0.5	-
All Other Code 12 - F.N.	U204	-	0.2	0.2	-
Benefits - Former F.N. Pers.	U205	-	-	-	-
<u>Contract Personnel</u>	U300	275.0	55.0	330.0	-
PASA Technicians	U301	-	-	-	-
U.S. PSC Salaries/Benefits	U302	205.0	-	205.0	2
All Other U.S. PSC Costs	U303	70	-	70.0	-
F.N. PSC Salaries/Benefits	U304	-	-	-	2
All Other F.N. PSC Costs	U305	-	-	-	-
Manpower Contracts	U306	-	55.0	55.0	50
<u>Housing</u>	U400	204.4	49.1	253.5	-
Residential Rent	U401	164.4	-	164.4	8
Residential Utilities	U402	-	2.5	2.5	-
Maintenance & Renovation	U403	10.0	7.6	17.6	-
Quarters Allowances	U404	-	-	-	-
Residential Furniture/Equip	U405	23.0	-	23.0	-
Trans/Freight - Code 311	U406	6.0	0.5	6.5	-
Security Guard Services	U407	-	38.5	38.5	36
Official Residence Allowance	U408	-	-	-	-
Representation Allowance	U409	1.0	-	1.0	-

Unit data must be provided.

TABLE VIII  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Uni</u>
<u>U.S. Direct Hire</u>	U100	1053.1	-	1053.1	-
* U.S. Full time Basic Pay	U101	485.0	-	485.0	8
* U.S. Part time Basic Pay	U102	-	-	-	-
Differential Pay	U103	121.2	-	121.2	-
Other AID/W Funded Code 11	U104	5.0	-	5.0	-
Other Mission Funded Code 11	U105	-	-	-	-
* Education Allowances	U106	78.2	-	78.2	4
Retirement	U107	67.9	-	67.9	-
Cost of Living Allowances	U108	48.0	-	48.0	-
Other AID/W Funded Code 12	U109	12.0	-	12.0	-
Other Mission Funded Code 12	U110	3.5	-	3.5	-
* Post Assignment Travel	U111	40.0	-	40.0	5
* Post Assignment Freight	U112	75.0	-	75.0	5
* Home Leave Travel	U113	33.0	-	33.0	5
* Home Leave Freight	U114	9.5	-	9.5	5
* Education Travel	U115	2.3	-	2.3	1
* R & R Travel	U116	62.5	-	62.5	8
* Other Code 215 Travel	U117	10.0	-	10.0	14
<u>Foreign National Direct Hire</u>	U200	-	14.9	14.9	-
* F.N. Basic Pay	U201	-	14.2	14.2	4
* Overtime/Holiday Pay	U202	-	-	-	-
All Other Code 11 - F.N.	U203	-	0.4	0.4	-
All Other Code 12 - F.N.	U204	-	0.3	0.3	-
Benefits - Former F.N. Pers.	U205	-	-	-	-
<u>Contract Personnel</u>	U300	275.0	63.5	338.5	-
* PASA Technicians	U301	-	-	-	-
* U.S. PSC Salaries/Benefits	U302	195.0	-	195.0	2
All Other U.S. PSC Costs	U303	-	-	-	-
* F.N. PSC Salaries/Benefits	U304	80.0	-	80.0	2
All Other F.N. PSC Costs	U305	-	-	-	-
* Manpower Contracts	U306	-	63.5	63.5	50
<u>Housing</u>	U400	230.4	74.3	304.7	-
* Residential Rent	U401	164.4	-	164.4	8
Residential Utilities	U402	-	3.5	3.5	-
Maintenance & Renovation	U403	30.0	15.0	45.0	-
* Quarters Allowances	U404	-	-	-	-
Residential Furniture/Equip	U405	35.0	-	35.0	0
Trans/Freight - Code 311	U406	-	-	-	-
* Security Guard Services	U407	-	55.8	55.8	36
Official Residence Allowance	U408	-	-	-	-
Representation Allowance	U409	1.0	-	1.0	-

\* Unit data must be provided.

TABLE VIII  
Continued  
 (\$000)

<u>Expense Category</u>	<u>Func. Code</u>	<u>Dollars</u>	<u>Trust Funds</u>	<u>Total</u>	<u>U</u>
<u>Office Operations</u>	<u>U500</u>	<u>218.6</u>	<u>108.2</u>	<u>326.8</u>	
Office Rent	U501	37.2	-	37.2	
Office Utilities	U502	-	2.5	2.5	
Building Maint/Renovation	U503	-	4.0	4.0	
Office Furniture/Equipment	U504	10.0	-	10.0	
Vehicles	U505	70.0	-	70.0	
Other Equipment	U506	15.0	-	15.0	
Transportation/Freight	U507	13.0	3.5	16.5	
Furn/Equip/Veh Repair/Maint	U508	7.0	15.0	22.0	
Communications	U509	-	18.0	18.0	
* Security Guard Services	U510	-	20.2	20.2	)
Printing	U511	-	-	-	
* Site Visits - Mission	U513	-	15.0	15.0	2
* Site Visits - AID/W	U514	11.4	-	11.4	
* Information Meetings	U515	-	-	-	
* Training Attendance	U516	7.0	-	7.0	
* Conference Attendance	U517	5.0	-	5.0	
* Other Operational Travel	U518	10.0	-	10.0	
Supplies & Materials	U519	33.0	27.0	60.0	
FAAS	U520	-	-	-	
Contract Consulting Services	U521	-	-	-	
Contract Mgt/Prof. Services	U522	-	-	-	
Special Studies/Analyses	U523	-	-	-	
All Other Code 25	U524	-	3.0	3.0	
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>1,777.1</b>	<b>260.9</b>	<b>2,038.0</b>	
Reconciliation		<del>(691.1)</del>		<del>(691.1)</del>	
Operating Budget Requirements		1,086.0	260.0	1,346.9	
636(c) Requirements	U601	--	--	--	
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	<b>U000</b>	<b>1,086.0</b>	<b>260.9</b>	<b>1,346.9</b>	

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases NIL  
 Exchange Rate Used (Average rate for FY 88/89) Ushs.60 = \$1.00  
 Estimated Inflation Rate .20%

NOTE: FUNCTION CODE U512 (RIG OPERATIONAL TRAVEL) IS NO LONGER A VALID COD  
ALL RIG OPERATIONAL TRAVEL WILL BE CHARGED TO FUNCTION CODES U513  
THROUGH U518 AS APPROPRIATE.

\* Unit data must be provided.

Table VIII (a) Narrative  
FY 1989 Annual Budget Submission

I. Reasons for Increase

The assistance program in Uganda is rapidly expanding in response to improvements in security, stability and comprehensive economic reforms recently announced by GOU. To design, implement and monitor these expanding activities, increased O.E. funding will be required. The increases in trust funds for FY 1988-89, represents USAID's best projections, based on factors that are addressed in the narrative on trust funds. Requested increase in O.E. budget is based on the following:

- A. The ceiling on the number of USDH has just been increased from seven to eight. In addition, USAID will add two PSC's in early FY 1988. This will require additional funding for salary, residential rentals, renovations, purchase of residential furniture and equipment;
- B. The employment of additional personnel will also require increased expenditures for office space, equipment and related support services;
- C. USAID/Kampala does not have an assigned Controller. In FY 1988 USAID plans to recruit a PSC/Controller. This action has been strongly recommended by the Regional Financial Management Office in Nairobi. In addition, due to the expanding activities in the USAID Agriculture Office, USAID plans to recruit and employ a PSC Agriculture Specialist. Employment of these two individuals will require increased operating expense funding;
- D. Increasing inflation in Uganda has justified the approval of a cost-of-living allowance of 50 percent. While existing hyper-inflation is expected to abate, this will take sometime. Therefore, USAID has not reduced its funding requirements for Cola;
- E. The road conditions are expected to improve in Uganda in the next 2-3 years, but wear and tear on present fleet of vehicles will require some replacements during FY 1988-89;
- F. Several residential leases will expire in FY 1988. Due to the work that has been done to bring these residences up to required standards, especially security, it is extremely desirable and expedient to renew these leases. USAID will experience substantial increases in negotiating lease renewals for these properties; and

- G. The increase in function levels that will be funded from the established Trust Fund Account is based on projected increases in FSN salaries, market prices for locally procured services and supplies and related costs that will be determined by prevailing domestic prices.

II. Management Improvements

USAID/Kampala has accomplished the management improvement objectives noted in the FY 1987 ABS submission. Examples are:

- A. USAID procured four additional PC Wang computers along with required software, which has enhanced the use of this equipment in word processing, economic analyses, non-expendable property accountability, financial tracking of projects, accounting for special accounts expenditures and operations expense. In addition, two FSN employees have received special training on the overall use of the PC computer and its special applications. Based on training received, these employees trained other USAID employees on the use of the computer.
- B. USAID has recruited highly qualified individuals for all FSN vacancies. Based on USAID's commitment to assign increased responsibility to FSN employees, USAID has sponsored training for eight FSN employees. Courses included Project Implementation, Accounting, Project Commodity procurement, Development Studies, Record Management and Data Processing.
- C. In reviewing the payment process for all submitted vouchers, it was decided to realign the assigned responsibilities of this activity. This action was taken to put in place, checks and balances for all financial transactions as a part of the Mission's overall vulnerability assessment.

II. FY 1988 Management Improvement Objectives

- A. USAID will continue to work with other U.S. Mission personnel to obtain required approvals for the FSN fringe benefit package. Due to several factors, this objective was not completed in FY 1987. Outstanding is a revised annual leave plan and a retirement plan.
- B. USAID will continue to review services provided under the FAAS Agreement to identify areas where savings can be made by arranging other sources for obtaining these services. Special consideration will be given to arranging for direct charges or project funding for services being provided to contractors under the FAAS Agreement.

- C. USAID will continue to utilize the computer to improve its administrative/management operations. New software programs to improve and track small purchases, motor transport, personal property management, real property management and the project management information system will be utilized to achieve this objective.
- D. The development assistance program in Uganda is expanding very rapidly. To meet the requirement for the design, management, implementation and monitoring of this expanding program, addition personnel will be recruited and employed, the USAID office building will be expanded and required support equipment will be purchased to accommodate this increase in assigned personnel.

In summary, USAID has an operational and effective management/administrative system in place. Due to the rapid changes occurring in Uganda and the impact these changes will have on the USAID development assistance program in Uganda, USAID must maintain the flexibility to make necessary adjustments to this system to meet these expanding requirements. Effective communication with appropriate A.I.D offices in Washington will be maintained to ensure a clear understanding on the resources required for USAID's expanding program in Uganda.

#### IV. Trust Funds

- A. USAID/Kampala established a trust fund Agreement with the Government of Uganda for FY 1987. For the FY 1987 period, USAID expects to receive 567 million Uganda shillings for the trust fund. In FY 1988 USAID expects to receive an additional 900 million shillings. This calculation is based on the old US\$1,400 to one dollar system. The amount of shillings to be paid in the trust fund during FY 1989 is very uncertain at this time, although we have made a projection as shown in Table VIII.
- B. The GOU devalued the shilling on May 18, 1987 from 1,400 to 6,000 per U.S. dollar. At the same time a new currency was issued, which eliminated two zeros. Therefore the new exchange rate was set at one dollar to 60 (New) shillings. All local currency accounts, including the trust fund, will be adjusted to reflect the impact of this currency reform.
- C. Another major factor in establishing the value of obtained trust funds is the fact that these funds are used to purchase local services and supplies. While the official exchange rate has been US\$1,400 to the dollar, the market rate has over the past 6 months averaged about US\$12,000 to the dollar. The prices of local services and supplies have been based on the parallel exchange rate, therefore the dollar value of obtained trust funds should also be based on this rate. It is too early after the recent currency reform to project market prices and consequently the expected purchasing power of our trust funds for operating expenses.
- D. Trust fund local currencies are generated from commodity procurement under USAID projects 617-0102 and 617-0108, each which has established special account for GOU deposits.

Organization USAID/Kampala

TABLE VIII(b)  
Information on U.S. PSC Costs

<u>Job Title/Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
PSC/Controller		\$85,000 (10/87-9/88)	\$95,000 (10/88-9/89)
Accountant/Audit Advisor	\$17,240 (2/87-11/87)		
PSC/Agriculture Specialist		\$120,000 (10/87-9/88)	\$100,000 (10/88-9/89)

Organization USAID/Kampala

TABLE VIII(c)  
All Other Code 25 Detail

<u>Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
1. Secretarial	6.0	7.3	8.0
2. Drivers	(6) 16.7	(7) 17.0	(7) 18.0
	(10)	(10)	(11)
3. Charforce	3.3	4.5	5.0
	(10)	(10)	(10)
4. Clerical	12.1	14.9	15.2
	(11)	(11)	(9)
5. Skill Technician	6.3	7.8	9.0
	(10)	(8)	(8)
6. Professional	8.5	10.3	11.0
	(3)	(4)	(5)

Organization \_\_\_\_\_

Organization USAID/Kampala

TABLE VIII(d)  
Manpower Contract Detail

<u>Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
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No individual contracts

Organization USAID/Kampala

TABLE VIII(e)  
OBLIGATIONS FOR ACQUISITION, OPERATION  
AND USE OF INFORMATION TECHNOLOGY SYSTEMS  
(\$000)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<b>1. <u>Capital Investment:</u></b>			
<b>A. Purchase of Hardware</b>	0	3.0	10.0
Type of equipment for future procurement will depend on pending award of supplier's contract, type of available equipment and rapid changing state of the art in the computer field.			
<b>B. Purchase of Software</b>	0	1.5	2.0
<b>C. Site Facility</b>	0	0	0
<b>SUBTOTAL Section 1</b>	<u>0</u>	<u>4.5</u>	<u>12.0</u>
<hr/>			
<b>2. <u>Personnel:</u></b>			
<b>A. Compensation, Benefits and Travel</b>	0	0	0
<b>B. Workyears</b>	.2	.3	.3
<hr/>			
<b>3. <u>Equipment Rental, Space and Other Operating Costs:</u></b>			
<b>A. Lease of Equipment</b>	0	0	0
<b>B. Space</b>	0	0	0
<b>C. Supplies and Other Material</b>	3.0	3.0	4.0
<b>D. Non-Commercial Training</b>	0	0	0
<b>SUBTOTAL Section 3</b>	<u>3.0</u>	<u>3.0</u>	<u>4.0</u>

Organisation USAID/Kampala

TABLE VIII(e)  
(Continued)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<b>4. <u>Commercial Services:</u></b>			
A. Computer Time	0	0	0
B. Leased Telecommunications Services	0	0	0
C. Operations and Maintenance	0	0	0
(1) Operations			
(2) Maintenance:			
Other than WANG equipment	0	0	0
WANG equipment (Local maintenance)			
WANG equipment (A.I.D./W maintenance	Not provided by M/SER/IRM		
D. <u>Systems Analysis and Programming:</u>	0	0	0
E. <u>System Design and Engineering</u>	0	0	0
F. <u>Studies and Other</u>	2.5	2.0	3.5
SUBTOTAL Section 4	<u>2.5</u>	<u>2.0</u>	<u>3.5</u>
<hr/>			
5. TOTAL DOLLARS	<u>2.5</u>	<u>2.0</u>	<u>3.5</u>
TOTAL WORKYEARS (From item 2A)	<u>.2</u>	<u>.2</u>	<u>.3</u>
<hr/>			
<b>6. <u>MISSION ALLOWANCE LEVELS:</u></b>			
A. Existing systems	<u>3.0</u>	<u>5.0</u>	<u>12.0</u>
B. New or expanded systems	<u>0</u>	<u>4.5</u>	<u>7.5</u>

Organization USAID/Kampala

TABLE VIII(F) - 1  
TABLE VIII(F)1  
Report on Motor Vehicle Operations

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<b>A. <u>Numbers of Vehicles:</u></b>			
<b>1. <u>Purchased Vehicles:</u></b>			
(a) Number of vehicles on-hand at start of year	0	0	0
(b) Plus Number of vehicles to be purchased during the year	0	0	0
(c) Less Number of vehicles to be disposed of during the year	0	0	0
(d) Number of vehicles on hand end of year	<u>0</u>	<u>0</u>	<u>0</u>
	-----	-----	-----
<b>2. <u>Leased Vehicles:</u></b>			
Average number of leased vehicles in use during year	0	0	0
<b>B. <u>Estimated Obligations:</u></b>			
1. Vehicle Purchases	29.3	35.0	70.0
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	0	0
4. Vehicle Leases	0	0	0
5. Vehicle Maintenance/Repairs	12.0	2.5	3.0
6. Salaries/Benefits of Drivers/Dispatchers	0	0	0
7. Supplies/Materials/Gas/Oil	11.7	5.0	6.0
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	9.7	11.0	12.5
10. Total Obligations	<u>52.7</u>	<u>53.5</u>	<u>91.5</u>
	-----	-----	-----
<b>C. <u>Estimated Disbursements:</u></b>			
1. Vehicle Purchases	121.7	35.0	70.0
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	0	0
4. Vehicle Leases	2.0	2.5	3.0
5. Vehicle Maintenance/Repairs	0	0	0
6. Salaries/Benefits of Drivers/Dispatchers	11.7	5.0	6.0
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	9.7	11.0	12.5
10. Total Obligations	<u>145.1</u>	<u>53.5</u>	<u>91.5</u>
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<b>D. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy motor pool:</b>			
(1) On-hand at start of year	0	0	0
(2) To be purchased during the year	0	0	0
(3) To be disposed of during the year	0	0	0

Organization USAID/Kampala

TABLE VIII(E) - 2  
Report on Motor Vehicle Operations  
(Trust Funds)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<b>A. Numbers of Vehicles:</b>			
<b>1. Purchased Vehicles:</b>			
(a) Number of vehicles on-hand at start of year	0	0	0
(b) Plus Number of vehicles to be purchased during the year	0	0	0
(c) Less Number of vehicles to be disposed of during the year	0	0	0
(d) Number of vehicles on hand end of year	<u>0</u>	<u>0</u>	<u>0</u>
<b>2. Leased Vehicles:</b>			
Average number of leased vehicles in use during year			
<b>B. Estimated Obligations:</b>			
1. Vehicle Purchases	0	0	0
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	0	0
4. Vehicle Leases	0	0	0
5. Vehicle Maintenance/Repairs	9.7	11.7	15.2
6. Salaries/Benefits of Drivers/Dispatchers	16.7	17.0	18.0
7. Supplies/Materials/Gas/Oil	8.0	9.6	11.5
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	0	0	0
10. Total Obligations	<u>33.7</u>	<u>31.5</u>	<u>42.0</u>
<b>C. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy motor pool:</b>			
(1) On-hand at start of year	0	0	0
(2) To be purchased during the year	0	0	0
(3) To be disposed of during the year	0	0	0