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PROJECT GRANT AGREEMENT

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

And the

UNITED STATES OF AMERICA

for the

ACTION PROGRAM FOR THE ENVIRONMENT

Dated: August 20, 1991

**A.I.D. Project No. 617-0124
Appropriation No. 72-111/21014
Budget Plan Code: GSS1-91-21617-KG13
Obligation Amount: \$2,900,000
RCN: U-912059**

U.S.A.I.D. MISSION TO UGANDA

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MEMORANDUM

DATE : September 3, 1991
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Norman L. Olsen, Program Officer
SUBJECT : Document Distribution
REFERENCE : Grant No. 617-0124 -
Action Program for the Environment
PROJECT NO : 617-0124
AMOUNT : \$2,900,000

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Ministry of Planning and Economic Development
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PROJECT GRANT AGREEMENT

For

ACTION PROGRAM FOR THE ENVIRONMENT

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

and

THE UNITED STATES OF AMERICA,

acting through

THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D").

ARTICLE 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE 2: The Project

SECTION 2.1. Definition of Project.

(a) The Project, which is further described in ANNEX 1, will consist of assisting Uganda's public and private sector to more effectively and sustainably manage its natural resource base in selected areas. The Project focuses upon (i) providing assistance to the Grantee in developing a National Environmental Action Plan; (ii) conserving natural resources through individual grants to selected nongovernmental organizations; (iii) rehabilitating certain existing parks and forest reserves; (iv)

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developing a national information center for the environment; and (v) developing host country capacity in formulating environmental impact statements. ANNEX 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the Project Description stated in ANNEX 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

(b) The Project represents one part of the overall Action Program for the Environment (the "Total APE"). The other component is a Program Grant to the Grantee pursuant to which cash disbursements will be made to support policy reforms focusing upon the development of a National Environmental Action Plan ("NEAP") and the protection of certain park and forest areas (the "Program"), as more specifically set forth under the terms and conditions of the Sector Grant Agreement (Program Number 617-0123) (the "Program Agreement") which is incorporated by reference herein.

It is anticipated that A.I.D.'s overall contribution to the Total APE over the life of the Program/Project will be Thirty Million United States ("U.S.") dollars (\$30,000,000), of which ten million will be provided for the Program, as described in and pursuant to the terms of the Program Agreement, and twenty million will be provided under the Project, as more specifically described below.

SECTION 2.2. Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with SECTION 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date ("PACD") stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under each individual increment of assistance.

ARTICLE 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Twenty Million United States ("U.S.") Dollars (\$20,000,000) ("Grant") as part of a planned multi-year project, of which Two Million Nine Hundred Thousand U.S. Dollars (\$2,900,000) shall represent the

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initial increment and the remaining Seventeen Million One Hundred Thousand U.S. Dollars shall be subject to the availability of funds to A.I.D. for this purpose and the mutual agreement of the Parties at the time of the subsequent increments.

The Grant may be used to finance foreign exchange costs, as defined in SECTION 6.1 of this Agreement, and local currency costs, as defined in SECTION 6.2 of this Agreement, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Total APE will not be less than (i) local currency counterpart funds in an amount equivalent to Ten Million U.S. Dollars (\$10,000,000), and (ii) an additional contribution in an amount not less than the equivalent of Nine Hundred Ninety-Five Thousand U.S. Dollars, including costs borne on an "in-kind" basis, which shall be in addition to contributions by non-governmental organizations (which are estimated to be in an amount equivalent to \$2,315,000), the Grant and A.I.D.'s contribution under the Program Agreement.

SECTION 3.3. Project Assistance Completion Date (PACD).

(a) The PACD, which is August 20, 1996, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in SECTION 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration

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of said period.

ARTICLE 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of legal counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A written statement setting forth the names and titles of persons holding or acting in the Office of the Grantee, as specified in SECTION 8.2, and of any additional representatives, and representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each such person certified as to its authenticity.

SECTION 4.2 Disbursements for Subgrants. Prior to the disbursement of funds for any subgrant under the Rehabilitation and Resource Component of the Project, as more specifically described in ANNEX 1 (Project Description) of this Agreement, or to the issuance of documentation by A.I.D. pursuant to which disbursement will be made, an environmental review shall be conducted and presented for approval to the appropriate A.I.D. official, which shall include, among other elements, an inventory of species present in the area and an assessment of the impacts of the subgrant activity on any such species, or critical habitat, and shall be otherwise in form and substance acceptable to A.I.D..

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in SECTION 4.1 and SECTION 4.2 have been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in SECTION 4.1 have not been met within one hundred twenty (120) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If all of the conditions specified in SECTION 4.2 have not been met within 5 years of the date of this Agreement, or

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such later date as A.I.D. may agree to in writing, A.I.D. may, at its option, cancel the undisbursed balance of the Grant to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

ARTICLE 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress towards attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and,

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Salaries. The Grantee agrees that no NEAP Secretariat staff members or task force members paid salaries from Project funds will draw a government salary or receive government benefits.

SECTION 5.3. Local Currency Uses. The Parties agree that the local currency which has been generated and deposited into the Separate Local Currency Account pursuant to the terms of the Program Agreement shall be used for agreed upon activities under the Project, as well as the administrative expense requirements of A.I.D., as more specifically set forth in ANNEX 1 (Project Description) of this Agreement, which may be supplemented by Project Implementation Letters. The Grantee further agrees that it will disburse the local currency from the separate account for such agreed upon purposes (and to specified accounts) promptly upon the request from A.I.D. for said disbursement, and in no event later than 30 days thereafter.

SECTION 5.4. Assistance to the NEAP. The Parties agree that the disbursement of dollar funds under this Agreement for the purpose of providing technical assistance, commodities or other services in connection with the NEAP, as more specifically described in ANNEX 1 (Project Description) of this Agreement, shall be conditioned upon the continued performance of the Grantee in furtherance of the completion of the NEAP in accordance with the terms of the Program Agreement.

SECTION 5.5. Parks and Forest Reserves. The Parties agree that prior to the disbursement of any dollar funds for the

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purpose of providing technical assistance, commodities or other services for the national parks and forest reserves, the Grantee shall have disbursed or otherwise provided the counterpart local currency funding which has been jointly programmed for such parks and reserves to the unit/entities responsible for carrying out the relevant activities therefor, as more specifically described in ANNEX 1 (Project Description) of this Agreement, which may be supplemented in a Project Implementation Letter.

SECTION 5.6. National Information Center for the Environment ("NICE"). The Parties further agree that prior to the disbursement of any dollar funds for the purpose of providing technical assistance, commodities or other services for the NICE, the Grantee shall have disbursed, or otherwise provided, the counterpart local currency funding for the NICE to the unit/entities responsible for carrying out the relevant activities therefor, as more specifically described in ANNEX 1 (Project Description) of the Agreement, which may be supplemented in a Project Implementation Letter.

SECTION 5.7. Evaluation of Environmental Impact. The Parties agree that safeguards shall be taken to ensure that environmental concerns are taken into account in the design and implementation of projects, programs and activities which are supported by jointly programmed local currencies. Further, it is agreed that the responsible staffs in the ministries charged with implementation of such activities will conduct evaluations of long-term environmental impacts of such local currency funded activities, with assistance as necessary by A.I.D., and will provide progress reports to A.I.D., in form and substance satisfactory to A.I.D., as more specifically described in a Project Implementation Letter.

ARTICLE 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Except as A.I.D. may otherwise agree in writing, disbursements pursuant to SECTION 7.1 will be used exclusively as follows:

(a) to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in the countries included within Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance ("Foreign Exchange Costs"). All reasonable efforts will be used to maximize U.S. procurement whenever practicable. Air travel and transportation to and from the U.S. shall be upon certified U.S. flag carriers; and

(b) to finance ocean transportation costs under the Grant only on vessels under flag registry of the countries included in AID Geographic Code 935.

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SECTION 6.2. Local Currency Costs. Disbursements pursuant to SECTION 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Uganda ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

ARTICLE 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) In accord with requirements of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) In accord with requirements of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S.

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Government; or,

(2) by A.I.D., (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

(c) The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree upon in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under SECTION 7.2, deposits of local currency required under this Agreement shall be calculated at the current official exchange rate of Uganda Shillings to U.S. Dollars. This is subject to the conditions existing in the Grantors present waiver permitting a rate other than the highest exchange rate per U.S. Dollar which is not unlawful.

ARTICLE 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee: Minister of Finance

Mail Address: Ministry of Finance
P.O. Box 8147
Kampala, Uganda

To A.I.D.: Mission Director

Mail Address: USAID Mission
P.O. Box 7007
Kampala, Uganda

Facimile Number: 233417

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All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission to Uganda with a copy of each communication sent to A.I.D. Washington, D.C..

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of Finance and A.I.D. will be represented by the individual holding or acting in the Office of the Director, USAID Mission to Uganda, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under SECTION 2.1 to revise elements of the Project Description in ANNEX 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (ANNEX 2) is attached to and forms part of this Agreement.

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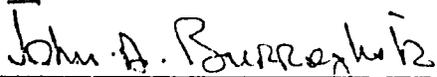


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IN WITNESS WHEREOF, the Government of the Republic of Uganda and the United States of America, each acting through its duly authorization representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Done at Kampala, Uganda; in duplicate, the 20th day of August, 1991.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

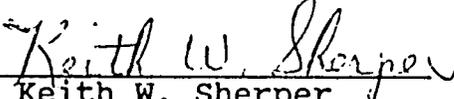


John A. Burroughs, Jr.
AMBASSADOR
AMERICAN EMBASSY, UGANDA

FOR THE GOVERNMENT OF THE
REPUBLIC OF UGANDA



Hon. J.S. Mayanja-Nkangi
THE MINISTER OF PLANNING
AND ECONOMIC DEVELOPMENT
For and on behalf of
THE MINISTER OF FINANCE



Keith W. Sherper
MISSION DIRECTOR
U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT, UGANDA

PROJECT DESCRIPTION

USAID/Uganda anticipates granting \$20,000,000 in project assistance to the Government of Uganda (GOU) for the Action Program for the Environment (APE) over the life of the Project. The GOU will contribute the equivalent of \$10,000,000 in local currency counterpart funds, as well as an additional amount not less than the equivalent of \$995,000 (including costs born on an "in-kind" basis), and various Private Voluntary Organizations (PVO) and Non-Governmental Organizations (NGO) participating in APE will contribute an estimated \$2,315,000. The total Project cost is anticipated to be \$33,310,000. In addition, the APE contains a program component pursuant to which A.I.D. will make cash disbursements (anticipated to total \$10,000,000 over the life of the program) to support policy reforms, as set forth in the terms of the APE Program Agreement (617-0123). The \$10,000,000 of local currency counterpart funds (which must be deposited into a special account at the Bank of Uganda to be managed by the Ministry of Finance (MOF)) are a requirement of the APE Program Agreement and will be made within 180 days of equivalent US dollar cash transfers.

The purpose of APE, to assist Uganda's public and private sector to more effectively and sustainably manage its natural resources base in selected areas, does so through two primary components: a Policy Component (which will be accomplished through both program and project assistance) and a Rehabilitation and Resource Conservation Component (which will be accomplished wholly through project assistance). The Project activities under the Policy Component will focus upon providing assistance to the Grantee in developing the National Environmental Action Plan ("NEAP"); the Rehabilitation and Resource Conservation Component will include the following activities: (i) conserving natural resources through individual grants to selected nongovernmental organizations; (ii) rehabilitating certain existing parks and forest reserves; (iii) developing a national information center for the environment; and (iv) developing host country capacity in formulating environmental impact statements, as described in more detail below.

A. Policy Component

A.I.D. will assist the GOU in completing the NEAP (as described in more detail in the Program Agreement) by providing technical assistance and training through an institutional contract to be awarded preferably to a Grey Amendment consulting firm. The consulting firm will be responsible for disbursing and accounting for all dollar funds and local currency counterpart funds involving assistance under this Policy Component. A.I.D. will use an estimated \$515,000 in project funds for a NEAP Technical Advisor (24 months) to work with the GOU's NEAP Secretariat in developing a NEAP. A.I.D. will also provide: \$100,000 for personal computers, software and training, and other office equipment needs of the

Secretariat Staff; and \$540,000 for an estimated 27 person months of short-term technical assistance.

The Ministry of Planning and Economic Development and USAID will program an estimated \$700,000 of local currency counterpart funds to the consulting firm awarded the technical assistance and training contract under the Policy Component. The local currency counterpart funds will be used to pay the salaries and operating costs of the Secretariat Staff and Task Forces over a two and a half year period. Because A.I.D. rules on salary supplements may apply to host country owned local currency jointly programmed by A.I.D. and the host country, no Secretariat staff members or task force members paid with Project funds will concurrently draw a government salary or receive government benefits. In addition, given the complexity of the salary supplement issue which may not be satisfied wholly by the foregoing procedure, prior to any such salary payments a legal opinion as to conformity with A.I.D. rules in this regard shall be provided by the Regional Legal Advisor or, if necessary, A.I.D.'s Office of the General Counsel.

APE project funds will also be used to determine if, and to what extent, rights for use of minor forest products should be permitted in selected national parks; and if special mitigating measures are warranted, to assist the Batwa people who are residing in Bwindi forest to adjust to its conversion into a national park. The study is expected to be conducted over a 10 week period and is estimated to cost \$40,000. APE project funds will also be used to fund a policy study on women and land/tree tenure that will recommend ways to improve women's access to land, and thus promote their participation in agroforestry and tree planting. This study is estimated to cost \$40,000.

A.I.D. will provide an estimated \$732,000 in project assistance for short-term technical assistance and training to the Forest Department, Ministry of Energy, Minerals and Environment Protection ("MEMEP"), the Game Department, and Uganda National Parks (UNP) for institutional strengthening. The GOU will supplement the A.I.D. project assistance with \$230,000 in local currency counterpart from the special account at the BOU. The GOU will allocate this funding to the consulting firm.

A.I.D. will provide \$1,780,000 for four long-term advisors: a Community Conservation Adviser at MEMEP for two years; a Chief Financial Officer for two years and a Park Support Advisor at UNP for three years; and a Natural Resource Management Advisor for five years to coordinate and manage project activities at USAID/Uganda. With the Project Coordinator at the NEAP Secretariat, APE will provide a total of five long-term advisors under the Policy Component. A.I.D. will also provide \$250,000 for short term technical assistance to be programmed by A.I.D. as needed to facilitate program implementation.

All of the foregoing sub-components, with the exception of the USAID/Uganda Natural Resource Management Adviser, will be managed by the consulting firm awarded the institutional contract for technical assistance and training. Prior to the contracting of the consulting firm, however, USAID will use some of these funds to provide short term technical assistance to NEAP as needed. The consulting firm will provide quarterly financial and progress reports to both A.I.D. and the GOU.

B. Rehabilitation and Resource Conservation Component

1. Conservation of Natural Resources Umbrella Grant

Under APE, USAID will award an umbrella grant to a competent U.S. registered PVO through a competitive bidding process. The Umbrella Grant PVO will subsequently provide three levels of grants: macro, mini, and micro. Each grant type will have similar but distinct application, evaluation, approval, management and oversight procedures. All grants will focus on either or both of the following two themes:

- i) Support sustainable resource use (including tourism) in and around parks and protected areas of Uganda by building human resource capacity, infrastructure and public support for environmentally sound development;
- ii) Conduct environment and natural resources inventory, training, education and applied research activities in areas of important biological diversity.

Using GOU and USAID approved selection criteria and proposal presentation standards, the Umbrella Grant PVO will solicit, analyze, and, with Mission and GOU concurrence, award grants. They will establish a Grant Management Unit (GMU) in Kampala with at least two long-term expatriate staff, a small locally hired staff, and short-term technical assistance.

A.I.D. project assistance will provide \$1,880,000 for the GMU staff and operations, and \$9,940,000 for subgrants. The MOF will distribute to the GMU \$820,000 in local currency counterpart funds from the special account at the BOU for GMU staff and operations, and \$5,565,000 for subgrants and in-kind contributions. The GMU will be responsible for disbursing and accounting for all local currency transactions made under PVO/NGO subgrants of APE. The PVO/NGOs receiving subgrants will contribute \$2,315,000 to the Program; this will include in-kind services.

2. National Parks and Forest Reserves

APE will provide \$2.2 million in local currency counterpart funds and approximately \$740,000 in foreign exchange to support National Parks and Forest Reserves of Uganda. The project dollar

funds will be used to finance (i) certain commodities (to be procured by the GMU for the GOU); and (ii) special technical assistance which will be provided by the U.S. National Park Service through a Participating Service Agreement (to be managed by USAID/Uganda). The local currency counterpart funds will be disbursed by the MOF from the BOU separate account directly to the ministries responsible (to be transferred to specific sector line items of their respective budgets) for such Parks and Reserves, for agreed upon activities, as outlined below, and as will be more specifically set forth in a Project Implementation Letter. The foreign exchange will be used to purchase commodities which will be procured by the GMU on behalf of the GOU.

APE will assist national parks by providing resources for construction, equipment, trail/boundary/road work, and by helping each park cover most operating costs for a three year period. The National Parks will be expected to increase user fees over this period to the point that they should at least cover field operating expenses.

In most parks and forest reserves, the boundaries have been surveyed but the physical demarcations have deteriorated. Many of the trails and roads have also fallen into disrepair and could be brought back into good condition with basic labor-intensive rehabilitation work. The local currency counterpart funds will hire work crews on a year round basis for three years at each park and at selected forest reserves for boundary and trail rehabilitation.

UNP will be expected to establish sound financial management procedures to assure that a portion of the revenues generated by the parks goes back into the parks. UNP will provide revenue and expense projections to demonstrate its strategy for generating revenues which cover field operating expenses within a three year period.

3. National Information Center for the Environment

Environmental policy analysis and planning require a solid information base. APE will support the establishment of the National Information Center for the Environment (NICE).

APE will provide \$960,000 in local currency counterpart and foreign exchange for the fixed and operating costs of NICE.¹

¹ During final drafting of PAAD and negotiation of the Project Agreement, it became evident considerable funding for NICE may shortly become available from another donor. If this proves to be the case, part or all of the funds programmed for NICE will be reprogrammed for other Natural Resource Management activities.

An estimated \$435,000 of this will be in foreign exchange. Although the NEAP will primarily rely on available data, there are specialized studies that will be necessary to complement the process. Approximately \$245,000 of the \$960,000 will fund special studies as needed for NEAP and Program monitoring and impact evaluation. The funds for the NEAP special studies will be managed by the consulting firm awarded the institutional contract for technical assistance and training.

ANNEX 1

4. Environmental Impact Statement

APE will provide \$290,000 in local currency counterpart funds for indigenous environmental consulting firms to conduct environmental impact assessments of on-going public projects that were started without an environmental impact study. This funding will produce the dual benefit of incorporating environmental considerations into existing projects, and provide the incentive for capable private sector consulting firms to expand their services to include environmental consulting. The GMU will be responsible for the management of these funds.

5. Monitoring and Evaluation Plan Summary

APE will support the monitoring and evaluation (M&E) of the two components. The emphasis, as mandated under the Development Fund for Africa (DFA), will be in monitoring impacts at the people level (including farmers, rural households, and vulnerable groups). Rather than emphasizing the evaluation of the provision of inputs and funding obligations, M&E under DFA-funded programs must be more comprehensive. For that reason, APE will provide considerable resources to ensure that sufficient data collection and analysis is undertaken during the life of the Project, and that results of this analysis directly feed back to implementation.

In addition to the monitoring required to track project impacts of APE activities per se, the Project will assist in the establishment of a monitoring and evaluation mechanism, through the NICE to ensure the continued long-term monitoring of impacts on the environment. This will provide the needed analytic foundation required to justify future large-scale interventions in the sector by A.I.D. and other donors.

The M&E system of the Project component will assist in the evaluation of proposals, ensure that baseline information is gathered by NGOs, and ensure that sufficient effort is taken under each grant to continue analysis of impact. Most importantly, this component will ensure that information and lessons learned from the subgrant activities are fed back to the larger monitoring and evaluation of the APE program.

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APE will have two external evaluations; first, a midterm evaluation and then a final evaluation. Outside technical assistance will be contracted to carryout the evaluations which will examine all components of APE (grants, technical assistance and NPA). These components need to be monitored and evaluated in terms of people level impacts, and in terms of the overall objective of the program. Impact indicators related to improved natural resources management will be collected at both the country-wide as well as the village, farm or park level. Those factors which appear to be conducive to long term improvements in the natural resource base will be identified so as to guide projects and programs in order to improve the opportunities for such change.

ILLUSTRATIVE SUMMARY OF PROJECT COSTS
BY EXPENSE CATEGORY AND SOURCE (\$000)

Expense Category	THIS OBLIGATION			LIFE OF PROJECT BUDGET			TOTAL
	AID GRANT (IN \$)	GOVT CONTR (IN \$ EQUIV)	PVO CONTR (IN \$)	AID GRANT (IN \$)	GOU (IN \$ EQUIV)	PVO	
Technical Assistance	1,850	-	-	4,100	-	-	4,100
Subgrants	500	-	-	11,820	6,385	2,315	20,520
Training	40	-	-	380	280	-	660
Construction	-	-	-	-	1,080	-	1,080
Commodities	440	-	-	440	20	-	460
Other costs	50	-	-	-	2,630	-	2,630
Audit and Evaluations	-	-	-	260	-	-	260
Contingency/ Inflation	20	-	-	3,000	-	-	3,000
USAID Admin. Expense	-	-	-	-	600	-	600
TOTAL	2,900	0	0	20,000	10,995	2,315	33,310

1. This budget is illustrative and either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 10% per line item, provided, however, that such changes do not cause: (i) A.I.D.'s total contribution to exceed the amount specified in the text of this Agreement; and (ii) the GOU total contribution to become less than the amount specified in the text of this Agreement; and (iii) the amount specified for Audit and Evaluation to be decreased; and

2. Life of project budget is subject to the availability of funds to A.I.D. for this purpose and to the mutual agreement of the parties to proceed at the time of each subsequent increment".

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