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ISA 90159

A.I.D. Project Number 617-0135

PROJECT GRANT AGREEMENT

For the

UGANDA DEMOBILIZATION AND REINTEGRATION

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

and

THE UNITED STATES OF AMERICA

acting through

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

Date:

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PROJECT GRANT AGREEMENT

For the

UGANDA DEMOBILIZATION AND REINTEGRATION ("UDR")

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: Definition of the Project

The Uganda Demobilization and Reintegration Project will support the demobilization of 10,000 soldiers countrywide and provide approximately 2000 veterans and their families in five districts with technical skills and credit to develop agricultural and agro-processing activities. Project resources for demobilization will be granted to the World Bank and will contribute to the multi-donor effort administered by the World Bank to finance the costs of the Stage 2 demobilization i.e, a second group of demobilizing soldiers numbering approximately 10,000. These costs include cash payments to former soldiers, purchase and delivery of roofing materials, transporting discharged soldiers and their dependents to their home districts, medical, education and training benefits administered by UVAB and UVAB's operating costs.

The agricultural technology and credit program will be developed and administered by two U.S. PVOs that are already working in the target districts. The program will be operated in the districts of Lira, Apac, Soroti, Kumi and Pallisa in the north central

region of Uganda. The program will include oxen plowing training and the provision of oxen and animal traction implements to small groups; a matching grant program for veterans groups undertaking agricultural enterprises; the provision of hand-operated oil presses on a credit basis and the distribution of high oil content sunflower seed; and the multiplication and distribution of improved sorghum, millet and soybean seed and mosaic resistant cassava.

ANNEX 1, ("Project Description") attached, amplifies 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.

It is anticipated that A.I.D.'s overall contribution to the Uganda Demobilization and Reintegration Project, over its life will be two million United States ("U.S") dollars (\$2,000,000).

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, hereby grants to the Grantee under the terms of this Agreement an amount not to exceed two million U.S. Dollars (\$2,000,000).

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.

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.

SECTION 3.3. Project Assistance Completion Date (PACD).

(a) The PACD, which is September 30, 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 of said period.

ARTICLE 4: Conditions Precedent

SECTION 4.1. Conditions Precedent to First Disbursement.

Except for the grant to the International Development Association further described in Annex 1 of this Agreement, 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 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 representative, 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. Notification.

When A.I.D. has determined that the condition precedent specified in SECTION 4.1 has been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent.

If the condition specified in SECTION 4.1 has not been met within ninety (90) 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.

ARTICLE 5: Special Covenants

SECTION 5.1. Project Monitoring and Evaluation.

The Parties agree to establish and actively participate in a broad-based monitoring and evaluation program as part of the Project as described in ANNEX 1 of this agreement.

SECTION 5.2. Duty Free Project Commodities.

The Government of Uganda agrees that all commodities purchased with project funds, whether destined for or consigned to government or private organization(s), will enter Uganda free of duty in accordance with the Economic, Technical and Related Assistance Agreement between the United States of America and Uganda.

SECTION 5.3. Salaries.

The Grantee agrees that no personnel paid salaries from Project funds will draw a government salary or receive government benefits, unless A.I.D. otherwise agrees in writing.

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 or in accordance with U.S. Government travel regulations; and

(b) to finance ocean transportation costs under the Grant only on vessels under flag registry of the countries included in A.I.D. Geographic Code 935. This requirement is subject, however, to the 50/50 shipping requirements of the U.S. Cargo Preference Act and the regulations promulgated thereunder, which apply to ocean shipment of commodities furnished by A.I.D. without regard to whether the shipping itself is so financed.

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) After satisfaction of the conditions precedent set forth in Section 4.1 of this Agreement, 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 the

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 the 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) After satisfaction of the conditions precedent set forth in Section 4.1 of this Agreement, the Grantee may obtain disbursement of funds under the Grant for local currency costs required for the Project in accordance with the 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. 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, in the case of sub-section (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 6.2, if funds provided under this Grant are introduced into Uganda by A.I.D. or by any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into Uganda Shillings at the highest exchange rate of Uganda Shillings to U.S. Dollars which is not unlawful at the time of conversion.

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 and Economic Planning

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

To A.I.D.: Mission Director

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

Facsimile Number: 233417

All such communications will be in English. 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 Economic Planning 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 including 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.

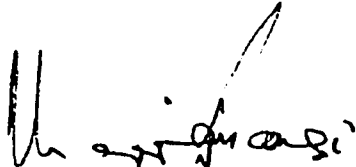
SECTION 8.3. Standard Provisions Annex.

A "Project Grant Standard Provisions Annex" (ANNEX 2) is attached

to and forms part of this Agreement.

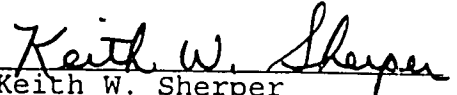
IN WITNESS WHEREOF, the Government of the Republic of Uganda and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

FOR THE GOVERNMENT OF THE
REPUBLIC OF UGANDA



Jehoash Mayanja Nkangi
Minister of Finance
and Economic Planning

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA



Keith W. Sherper
Mission Director
United States Agency for
International Development

Date: 26th August 1994

Date: 8/26/94

Attachments:

- ANNEX 1 - Amplified Project Description
- ANNEX 2 - Project Agreement Standard Provisions Annex

ANNEX 1
AMPLIFIED PROJECT DESCRIPTION

I. INTRODUCTION

Uganda has made the transition from a period of rehabilitation to one of growth and development. When the National Resistance Movement (NRM) government took power in 1986, it concentrated initially on re-establishing stability, rehabilitating infrastructure and restoring basic services. The government also began to undertake a series of significant economic and fiscal policy reforms that have created a more favorable environment for economic growth. Finally, the NRM has allowed progress towards a democratic transition; the recently elected Constituent Assembly (CA) is beginning its work of debating and ratifying a new constitution that will pave the way for democratic elections. Most of the prerequisites for a period of peaceful economic, social and political development are or will soon be in place.

One of the key prerequisites is a major reduction in the size of Uganda's 90,000 person military. Reduction in the defense force accomplishes two important objectives: 1) it reduces the power of the military and gives credence to the NRM's commitment to civilian rule; and 2) it substantially reduces military expenditures, freeing up budgetary resources for spending on productive and social sectors. Completing the military demobilization will reinforce the transition to a democratic government and a period of economic development.

The Government of Uganda (GOU) began the process of demobilizing soldiers in December 1992. The planned demobilization of a total of 42,735 men and women soldiers is being carried out in three stages. Stage 1, now complete, demobilized 22,735 soldiers. Stage 2, planned for 10,000 soldiers, began in May. It is anticipated that the final 10,000 soldiers will be demobilized in Stage 3 in late 1994 or early 1995. This will result in a 47 percent reduction in Uganda's military force.

II. DESCRIPTION OF THE PROJECT

The Uganda Demobilization and Reintegration Project (UDRP) will support the demobilization of 10,000 soldiers countrywide and provide approximately 2000 veterans and their families in 5 districts with technical skills and credit to develop agricultural and agro-processing activities. The goal of the project is to reduce Uganda's military force in a socially responsible manner. The purpose of the project is to assist demobilized soldiers to re-settle and become economically productive members of their communities. Project beneficiaries will be demobilized men and women soldiers and their dependents. USAID estimates that at least 2,000 veterans and their spouses¹

¹ Veterans' spouses, usually wives, are frequently more motivated to develop income generating activities than their partners. It is also well documented that women spend a greater percentage of their income on family welfare than men do. Including wives in the project will enhance its impact on veterans' families.

will have established productive, sustainable farming or agro-processing ventures as a result of the technology transfer and credit program during the life of the project. The beneficiaries will be rural smallholders.

The UDRP will be a two year, \$2 million project with two distinct components: 1) direct support for demobilization (\$1 million); and 2) an agricultural technology and credit program to assist veterans and their families in five districts to establish productive agricultural activities. Project funds earmarked for demobilization will be granted to the World Bank and will contribute to the multi-donor effort administered by the World Bank to finance the costs of the Stage 2 demobilization. These costs include cash payments to soldiers, purchase and delivery of roofing materials, transporting discharged soldiers and their dependents to their home districts, medical, education and training benefits administered by UVAB and UVAB's operating costs.

The agricultural technology and credit program will be developed and administered by two U.S. private voluntary organizations (PVOs) that are already working in the target districts. The program will be operated in the districts of Lira, Apac, Soroti, Kumi and Pallisa in the north central region of Uganda. The PVOs will liaise with UVAB, particularly at the district level, and keep UVAB apprised of the progress of its activities.

Project Outputs There will be two outputs:

1. 10,000 men and women soldiers receive severance packages and are transported to their homes;
2. Agricultural technology, materials and/or financing provided to approximately 2000 veteran households in 5 districts.

With respect to the first output, it should be noted that this project alone will not support demobilization of 10,000 soldiers. The UDRP will contribute \$1 million towards the \$14 million required to finance the Stage 2 demobilization.

1. Demobilization Assistance

The Stage 2 demobilization has already begun and funds provided under this component of the project will help to complete the process. USAID will award a Handbook 13 grant to the World Bank for \$1 million for use in conjunction with other donors' funds for demobilization. The World Bank will administer the funds in the same manner in which it administers its other project funds and will transfer funds to UVAB as needed.

The demobilization package consists of a series of cash payments and in-kind benefits. At discharge, the soldiers receive a cash payment of Ush 150,000 (approximately \$150) that covers clothing allowance, settling in allowance and per diem and medical care. Discharged soldiers and their dependents are given transport to

their home districts. A second cash installment of Ush 408,435 is paid to the veterans approximately 2 months after they arrive at their homes. This payment covers the balance of the settling in allowance and per diem and the cost of building materials, food, agricultural tools, seeds and medical care. In addition, each veteran is supplied with 20 iron sheets and 5 ridges (for roofing.) Veterans also receive Ush 36,500 towards the cost of their children's school fees. The fees are paid directly to the school by the District Veteran Program Officers (DVPOs). The district veteran's office also has limited funds to pay for disabled and chronically ill veterans to continue receiving medical treatment.

UVAB will continue to closely monitor and evaluate the implementation of the program and maintain proper financial management controls (see Section VI for more information on UVAB's institutional capability.)

2. Agricultural Technology and Credit

The objective of this component is to support the reintegration of demobilized soldiers and their families into communities in north central Uganda. The districts of Lira, Apac, Soroti, Kumi and Palisa where approximately 6000 veterans have or will be returning will be the focus of this two year training and agriculture development activity (see map showing distribution of Stage 1 veterans).

Farming is the major economic activity in this region and the project will provide veterans and their families with training and other assistance to help them become self sustaining economic units and to become reintegrated into their communities. The project will have four primary elements; oxen plowing training and the provision, at subsidized prices or favorable credit terms of oxen and animal traction implements to small groups; a matching grant program for sustainable agricultural enterprises; the provision of hand-operated oil presses on a credit basis and the distribution of high oil content sunflower seed; and the multiplication and distribution of sorghum, millet, soybean and mosaic resistant cassava. These activities will be carried out by two U.S. PVOs, a local NGO and the National Agriculture Research Organization (NARO). Since sub-grants from the primary grantee will also be utilized, the Mission will only need to prepare grants to the two U.S. PVOs.

a) Oxen Plowing:

World Learning Incorporated (WLI), a U.S. PVO, in collaboration with a local NGO, Animal Traction Development Organization (ATRADO), will carry out oxen plowing training in the districts of Soroti, Kumi, and Palisa. Veterans and their families will be the focus of the village level training programs. In order, however, to not create the impression that veterans are being singled out for assistance and thus inadvertently leading to their isolation from fellow villagers, small numbers of other villagers will also be included in the training programs. Much

of the training will be carried out by ATRADO, a local NGO with a proven track record of animal traction training in northern and western Uganda. Pairs of oxen will be purchased by the project and made available at a subsidized rate to either veterans' families or small groups of families which would have as a nucleus several veterans' families. Implements will be provided to these groups in the same fashion. A small number of veterans will also be trained in the production of ox drawn carts, plows and other implements and will be assisted, initially, to access materials required for the construction of this ox drawn equipment. The number of veterans trained in this area will be limited, however, in order that the supply of qualified implement producers doesn't exceed demand.

b) Multiplication and distribution of seeds and plant stock:

Closely linked with the oxen plowing training activity will be the multiplication of sorghum, millet, soybean and mosaic resistant cassava and the distribution of these seeds and planting stock to groups of farmers, mainly comprised of veterans and their families.

Cassava is one of the major staple food crops and ranks second to cooking bananas as a food staple in Uganda. It is a particularly important food crop in the north and contributes 60% of the basic food requirement. However, over the last few years, African cassava mosaic disease has swept through most districts of the country causing a serious reduction in cassava production.

In response, Namulonge Research Station, part of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) initiated research on mosaic resistant cassava varieties and has since released two varieties for multiplication. Since 1992, USAID/Kampala has funded the multiplication of cassava at Namulonge and, during the past year, also at the Serere Agricultural Research Station in Soroti. Cassava multiplication, however, is slow, with only four or five new plants being derived from each stem and the process of multiplication takes two rainy seasons, or one calendar year.

To expedite the provision of mosaic resistant varieties for veterans and their families, this activity will fund increased planting by the National Agricultural Research Organization (NARO) of mosaic resistant stock at the Namulonge and Serere Research centers, as well as the planting of demonstration plots in villages where returned veterans reside. The provision to veterans and their families at cost of multiplied mosaic resistant stock will be carried out largely, but not exclusively, through the animal traction groups discussed above. In other villages with no animal traction groups individual veterans and their families will be identified and mosaic resistant cuttings will be made available to them.

Sorghum and millet are key food grain crops in northeastern Uganda. These food grains are so important to the local diet that the production of these crops is consumed within two to

three months of harvest, leaving little or no seed for the following planting season. At the Serere Agriculture Research Station in Soroti, improved varieties of sorghum and millet have been developed which are higher yielding, drought tolerant, resistant to major insect pests and have a much shorter growing season. Soybean is a high protein legume which does well in the area but there is a chronic shortage of seeds.

Under this project, improved sorghum and soybean seeds will be multiplied by NARO at the Serere Research Station and distributed through World Learning Inc. and the MAAIF extension system to veterans families and the groups they have formed.

c) Matching Grant Program:

WLI will assist selected groups of veterans and community groups including veterans to carry out a rapid rural appraisal of their needs, with the objective of helping the groups design a viable agricultural activity. To implement this activity, the project would then provide up to Ushs. 2 million in grant funds which would need to be matched by the veterans' association or communal groups. Examples of the types of activities to be implemented include, on-farm grain storage facilities, the communal marketing of produce and communal woodlots.

d) Oilseed presses:

A fourth element in the agricultural reintegration activity will be the introduction of Comertec hand oilseed presses and the provision of high oil content sunfola sunflower seeds. With a grant from this project, Appropriate Technology International (ATI), a U.S. PVO, will manufacture and sell, at cost, hand oil presses to veterans' families and small groups comprised of veterans families and other villagers. The ram presses to be promoted are a size that is easy for both men and women to operate. This means that village level edible oil production can be a family enterprise that involves all adult members in oilseed production, processing and marketing. When necessary, the ram presses will be sold on credit to the veterans with repayment delayed until the end of the harvest season. Sunfola sunflower seed will also be multiplied and sold, at cost, to veterans' families and hand oil press groups. Training in the effective operation and maintenance of the machines will be provided, along with marketing guidance and extension assistance to increase the proper planting and cultivation of the sunflower seeds.

The target area for this activity will be districts of Lira and Apac. This past year, ATI opened an office in Apac and initiated a similar activity for the general populace in two areas. The present activity will expand on previous operations and focus primarily on the provision of assistance to veterans and their families.

Year one of this activity will be considered a pilot phase. Activities targeting veterans and their families will be

incorporated into the existing ATI project in the Lira and Apac districts. Two additional extension officers and a driver will be recruited to work with veterans and their families, but they will work out of the Lira office. This initial phase will involve the design and testing of effective procedures for promotion, identification of beneficiaries, credit delivery, training and follow-up that are specifically geared to this target population.

The activity will expand in year two. Approaches developed in year one will be applied over a wider geographic area including the Soroti District. A second project office will need to be opened to service the larger implementation area and additional support staff recruited. Approximately 60% of the additional credit revolving fund will be specifically reserved for veterans, and a similar proportion of training funds.

The output for this component will include the manufacture and sale of a total of 200 presses (100 per year) with an estimated 400 families benefitting directly from these presses. Actual project benefits, however, are much broader and will extend to neighbors who grow sunflower and will be able to find a better market for their sunflower, persons employed to operate the presses, and people whose nutritional status improves through the increased availability and use of edible fats in their diets.

III. COST ESTIMATE AND FINANCIAL PLAN

The UDRP will have Life-of-Project (LOP) funding of \$2 million. Since a Grant Agreement will be signed with the GOU, a host country contribution of at least \$667,000, or 25 percent of the total project cost, is required. The GOU has already committed \$1.0 million to the Stage 2 demobilization, more than enough to meet the host country requirement.

Illustrative USAID Budget

| | |
|---|--------------------|
| Demobilization Support | \$1,000,000 |
| Agricultural Technology and Credit | |
| Oxen plowing training, implement provision, matching grant program (WLI) | 550,000 |
| Multiplication of sorghum, millet, soybean and mosaic resistant cassava (WLI/NARO) | 150,000 |
| Oilseed presses (ATI) | 270,000 |
| Monitoring | 20,000 |
| Audits of sub-grantees | 10,000 |
| | Total: \$2,000,000 |

Actual grants for the Agricultural Technology and Credit component will depend on a field evaluation of needs and the review of proposals submitted. Consequently, actual funding may vary considerably between line items.

Funds will be included in each of the two PVO grants for monitoring and, in the case of the WLI grant, for audits of the

sub-grantees (ATRADO and NARO). The two U.S. PVOs are audited on an annual basis and USAID does not require separate audits of these individual grants. Funds provided to the World Bank will be audited according to standard World Bank auditing procedures.

IV. IMPLEMENTATION PLAN

A Grant Agreement will be signed with the Government of Uganda, represented by the Ministry of Finance and Economic Planning. USAID will then issue a grant for \$1 million to the World Bank in accordance with the procedures established in A.I.D. Handbook 13 for grants to multilateral organizations. These funds will be used for the Veterans Assistance Program, a component of the multi-donor Program for the Alleviation of Poverty and the Social Costs of Adjustment (PAPSCA) administered by the World Bank. The World Bank will apply the same standards of financial and project management to these funds as to all others within its portfolio.

USAID will ask World Learning Inc. and Appropriate Technology International to submit proposals to implement the programs described under the agricultural technology and credit component. USAID then will issue Handbook 13 grants to the two PVOs. The urgent need to get activities going in order to demonstrate the GOJ's commitment to assist veterans with reintegration precludes having a competitive process. These two PVOs are already established and working on similar activities in the regions targeted by the project and have predominant capability to implement this component. Using them will ensure rapid implementation and capitalize on their wealth of knowledge and experience in Uganda.

V. MONITORING AND EVALUATION PLAN

Monitoring of the demobilization exercise is carried out by UVAB with oversight by the World Bank and other donors. As UVAB has recently taken steps to strengthen its monitoring capability, USAID does not anticipate any need for supplementary work with respect to the demobilization exercise. On the other hand, it will be important for USAID to carefully monitor the reintegration activities funded by this project. Both grantees will be required to prepare a monitoring plan as part of their proposal and funds will be budgeted specifically for monitoring activities. The monitoring plans should demonstrate how the grantees will collect the following information:

- basic data on all beneficiary households (e.g. sex and age of household members, educational level, location, health status);
- measurement of beneficiaries' socio-economic status at the time when they first come in contact with the project (what sources of income, what economic activities undertaken);
- number of farming and agroprocessing ventures established under the project;
- number of households adopting new farming technologies as a result of the project;
- measurement of the impact of project activities on

- beneficiaries' socio-economic status (e.g., availability of food, health status, cash income, ability to pay school fees, etc.);
- the extent to which project activities facilitate acceptance of veterans and their families in their communities (e.g., number of community groups involving both veterans and other community members);
- the extent to which project activities assist veterans' wives to access household resources.

The agricultural technology and credit component of the project may be evaluated upon its completion, particularly if USAID and/or other donors are interested in continuing or expanding the activities.

**Attachment 1A
of Annex 1**

**A.I.D. Project No. 617-0135
Uganda Demobilization and Reintegration
Project Agreement**

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

| Expense Category | <u>This Obligation</u> | <u>Cumulative Funding to-date</u> | <u>Life of Project Funding</u> |
|---|------------------------|-----------------------------------|--------------------------------|
| | AID Grant (in \$000) | AID Grant (in \$000) | AID Grant (in \$000) |
| Demobilization | 1,000 | 1,000 | 1,000 |
| Agricultural Technology and Credit Grants | 1,000 | 1,000 | 1,000 |
| Total | 2,000 | 2,000 | 2,000 |

The Government of Uganda will contribute 1,220,000,000 Uganda shillings to the life of the project.

Changes to this budget must be agreed to in writing by both parties.

The 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.