

PD-ABS-272-

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|--|--|---|------------------------|---------------------------|
| AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET | | 1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete | Amendment Number _____ | DOCUMENT CODE 3 |
| 2. COUNTRY/ENTITY Uganda | | 3. PROJECT NUMBER <input type="checkbox"/> 617-0135 <input type="checkbox"/> ISN 90160 | | |
| 4. BUREAU/OFFICE USAID/Uganda | | 5. PROJECT TITLE (maximum 40 characters) Uganda Demobilization and Re-integration | | |
| 6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 96 | | 7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>94</u> B. Quarter <u>4</u> C. Final FY <u>94</u> | | |

| 8. COSTS (\$000 OR EQUIVALENT \$1 =) | | | | | | |
|---------------------------------------|-----------|--------|----------|-----------------|--------|---------------|
| A. FUNDING SOURCE | FIRST FY | | | LIFE OF PROJECT | | |
| | B. FX | C. L/C | D. Total | E. FX | F. L/C | G. Total |
| AID Appropriated Total | | | | | | |
| (Grant) | (2,000) | () | () | (2,000) | () | (2,000) |
| (Loan) | () | () | () | () | () | () |
| Other U.S. | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| Host Country | | | | | 1,000 | 1,000 |
| Other Donor(s) | | | | 11,000 | | 11,000 |
| TOTALS | | | | | | 14,000 |

| 9. SCHEDULE OF AID FUNDING (\$000) | | | | | | | | | |
|------------------------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE | | D. OBLIGATIONS TO DATE | | E. AMOUNT APPROVED THIS ACTION | | F. LIFE OF PROJECT | |
| | | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan |
| (1) DPA | | | | | | 1,000 | | 1,000 | |
| (2) ESP | | | | | | 1,000 | | 1,000 | |
| (3) | | | | | | | | | |
| (4) | | | | | | | | | |
| TOTALS | | | | | | 2,000 | | 2,000 | |

| | | | | | | | | | |
|---|--|--|--|--|--|-----------------------------|--|--|--|
| 10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) | | | | | | 11. SECONDARY PURPOSE CODES | | | |
| 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) | | | | | | | | | |
| A. Code | | | | | | | | | |
| B. Amount | | | | | | | | | |

13. PROJECT PURPOSE (maximum 480 characters)

To assist demobilized soldiers to re-settle and become economically productive members of their communities.

| | | | | | | | | | |
|---------------------------|----|----|----|----|---|----|----|------------------------------|------------------------------|
| 14. SCHEDULED EVALUATIONS | | | | | 15. SOURCE/ORIGIN OF GOODS AND SERVICES | | | | |
| Interim | MM | YY | MM | YY | Final | MM | YY | MM | YY |
| | | | | | | 09 | 96 | <input type="checkbox"/> 000 | <input type="checkbox"/> 941 |
| | | | | | <input type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) <u>935</u> | | | | |

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

| | | | | | | |
|-----------------|-----------|--|-------------|---|----|----|
| 17. APPROVED BY | Signature | Keith W. Sherper <i>Keith W. Sherper</i> | | 18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION | | |
| | Title | Mission Director | Date Signed | MM | DD | YY |
| | | | 08 | 23 | 94 | |

AID 13304 (8-79)

I have reviewed and hereby approve the methods of implementation and financing in this Project Paper. K. V/CONTROLLER

UGANDA DEMOBILIZATION AND REINTEGRATION PROJECT
617-0135

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, in part through military action, rehabilitating infrastructure and restoring basic services. The government also began to undertake a series of significant economic and fiscal policy reforms that are now largely completed and 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 now 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. In 1991, recurrent expenditure on defense was 37% of the recurrent budget and capital spending accounted for 38% of the capital budget. With stability in most parts of the country, largely as a result of NRM pacification efforts, the government understands that it is time to reduce the size and role of the military. The World Bank estimates that the "peace dividend" in the form of reduced military expenditures resulting from demobilization will total Ush 67 billion (\$60 million) over the GOU's 1992/92 - 1994/95 fiscal years. An additional benefit will be obtained if the veterans, most of whom are returning to rural homes, become active in farming and other income-generating activities. Completing the military demobilization will reinforce the transition to a democratic government and a period of economic development.

A. The Demobilization Effort

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.

The demobilization program is administered by the Uganda Veterans Assistance Board (UVAB), a parastatal established for this purpose and attached to the Prime Minister's office. The multi-donor program that finances the operation of UVAB and the actual

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cost of demobilization is referred to as the Veterans Assistance Program (VAP), which is a component of the World Bank's Program for the Alleviation of Poverty and the Social Costs of Adjustment (PAPSCA). The principal objective of the VAP is economically and socially sustainable integration of the former soldiers into Ugandan society. The World Bank acts as administrator of the VAP funds; donors transfer their contributions to the World Bank and the World Bank then passes the funds on to UVAB as required. In addition to the World Bank, other donors that are contributing to the VAP include Germany, the Netherlands, Denmark, Sweden, the United States and the UNDP. The GOU also contributes its own budgetary resources to the effort.

The first stage demobilization cost a total of \$18.5 million for all cash and in-kind payments to veterans and administrative costs of the program. Cash payments to veterans and other benefits represented 79% of the costs, other demobilization expenses, particularly transport, were 10% and UVAB's administrative costs were 11%. The majority of funding was provided by bilateral and multilateral donors, and the GOU financed the balance. USAID provided \$5 million in iron roofing materials under a Commodity Import Program. The projected cost of Stage 2 is \$13 million.¹

A second and more difficult aspect of UVAB's work is to facilitate the reintegration of demobilized soldiers into society. This is a challenge as Uganda's economy offers few formal job opportunities and the educational level of the majority of the veterans is low and many lack technical skills. Vocational training programs are scarce and not targeted to the needs or aspirations of Uganda's demobilized soldiers.

The veterans are accustomed to receiving a small but steady income; adjusting to a situation where they have to generate their own income is tough. Approximately 3% of the veterans are disabled or chronically ill and many others are HIV infected and will become ill. The communities to which they are returning are often suspicious of ex-soldiers, perceiving them as thieves and carriers of HIV and other STDs, although fears of an increase in criminal activity have generally proved to be unfounded. Veterans are often expected to assume financial responsibility for orphans and other family members upon their return home. This makes it difficult for them to use their pay packet for productive investments.² If veterans have brought wives from a different ethnic group, the wives are often not well accepted, creating family problems and making it difficult for the wives to team up with women's groups.

¹ The per soldier cost of the second stage demobilization is substantially higher than the cost for the first stage due to the significant appreciation in the value of the Ugandan shilling.

² An assessment conducted in July 1993 found that the top three uses of the cash payment were, in order of frequency, purchase of fixed assets (land, capital goods, shelter), purchase of food and clothing, and investment in a business.

UVAB is in the process of developing programs that will assist veterans and their families in the reintegration process. Unlike the initial demobilization activities, which target only former soldiers with a benefits package, the reintegration activities will focus on demobilized soldiers, their families and those in the communities in which they resettle. This is important for a variety of reasons. First, veterans will be scattered throughout the country and their profile of need will be similar to that of their neighbors. On political and equity grounds it is not appropriate to create two classes of civilians. Secondly, the World Bank has reported that including soldiers' wives in reintegration programs effects a more efficient distribution of benefits as women who receive benefits are more likely to pass them on to their children than are men.

UVAB plans to support ongoing community-based vocational training activities for those who wish skills upgrading. The emphasis will be on agriculture-related training as 70% of the soldiers surveyed expressed the intention to return to agriculture. Vocational training will be an optional and free standing element of assistance, delivered on a fee for service basis.

With over 30,000 soldiers already demobilized, UVAB's highest priority is to put more reintegration initiatives in place. Veterans from the Stage 1 demobilization are complaining that the government has not followed through on its promise to assist them with reintegration. Some veterans have taken the initiative to organize themselves into associations whose principal function is to undertake an economically productive activity. In some cases, the groups have expanded membership to non-veterans, combining their financial resources with local technical expertise.

II. PROJECT RATIONALE AND DESCRIPTION

A. Rationale for USAID Assistance

Successfully demobilizing a significant portion of its military force is an essential element of Uganda's democratization process and will enable the GOU to reallocate spending to underfunded social services and infrastructure development. It is important that the United States, an influential donor in Uganda, substantively demonstrate its support for demobilization. In addition to demobilization's impact on the sustainability of the democratic transition, it will benefit USAID's country program in more direct ways. To the extent that GOU spending in the education and health sectors increases due to freeing up budgetary resources that would otherwise have gone to defense, it will help achieve USAID's strategic objectives in primary education and reproductive health. Since most veterans are settling in rural areas, and since agriculture is the predominant activity in rural areas, it is reasonable to expect that many of the veterans will take up farming. Farmers of maize, beans, cotton and other exportable crops will contribute to achieving the mission's objective in the agriculture sector. At the program sub-goal level, demobilization will contribute to the

overall sustainability and equity of economic growth.

B. Project Goal and Purpose

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 spouses³ 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.

C. Project Description

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 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. 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. PVOs that are already working in the target districts. The program will operate in the districts of Lira, Apac, Soroti, Kumi and Palisa 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;

³ 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.

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. For Stage 1, cash payments to veterans represented 79 percent of the total program cost, direct costs of demobilization, primarily transportation, were 10 percent of the total cost and UVAB's administrative expenses accounted for the remaining 11 percent. A budget for the Stage 2 demobilization is provided in Annex B. Direct demobilization costs, including cash payments, represent 86 percent of the total cost and the remaining 14 percent is comprised of administrative, monitoring and evaluation and audit costs.

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 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.

In the 1970's, Uganda exported up to 470,000 bales of cotton and produced an excess of vegetable oil from cotton seeds which was also exported. During the years of civil conflict, cotton production plummeted and domestic edible oil all but disappeared from the market. Cotton production, however, is once again on the increase with over 50,000 bales produced in 1993. In addition, sunfola, a high oil content sunflower seed developed with assistance from the USAID sponsored Manpower for Agriculture Development Project (MFAD), has been introduced and is rapidly gaining acceptance as the primary source of domestic edible oil. While progress is being made in increasing domestic oil production, in 1993 only about 10% of the vegetable oil consumed in Uganda was derived from domestic oil seed sources.

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. \$1 million will be from the Economic Support Fund (ESF) and \$1 million will be from the Development Fund for Africa (DFA). Both amounts will be obligated in FY 94. The ESF funds will be used for the grant to the World Bank and the DFA funds will be used for grants to two U.S. PVOs for the agricultural technology and credit component. 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 \$1.02 million to the Stage 2 demobilization, more than enough to meet the 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.

Methods of Implementation and Financing

| Project Element | Method of Implementation | Method of Financing | Amount (\$000) |
|---------------------|--------------------------|---------------------|----------------|
| Demobilization | Grant | Direct Pay | 1,000 |
| Agric.Tech & Credit | Grants | Direct Pay or LOC | 1,000 |

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 GOU'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.

Within USAID, the Agricultural and Natural Resources Office will be responsible for managing the project. The General Development Office will, however, be responsible for monitoring the progress of the demobilization exercise and the activities of UVAB. USAID does not anticipate that this project will add a significant management burden to either of these offices.

V. MONITORING AND EVALUATION PLAN

A logical framework with goal, purpose and output indicators is provided in Annex A. 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. If undertaken, the evaluation will have to be funded from Program Development and Support (PD&S).

VI. INSTITUTIONAL ANALYSIS OF UVAB

The Uganda Veterans Assistance Board (UVAB) was established by legislation in 1992 for the express purpose of implementing the demobilization program. It is a parastatal within the Office of the Prime Minister and has a nine-member Board of Directors that meets at least once a month and includes the Principal Secretary in the Prime Minister's office, the Secretary for Defense and two key military personnel; day-to-day management is provided by the Executive Secretary who is a retired major general. UVAB will be dismantled 2.5 years after the final demobilization phase, currently planned for 1995.

Organization and Staffing

UVAB's staff numbered 197 as of July 1994. The 45 headquarters staff are organized into three departments: financial control, administration and operations (see organizational chart). In addition, the GTZ provides two technical advisors for management and operations and DANIDA provides a technical advisor for

monitoring and evaluation.

86 percent of the staff are in the District Veterans Program Offices (DVPOs). Each of 38 districts has a Program Officer, a bookkeeper, a clerk/typist and a messenger. The DVPOs are responsible for documenting the veterans upon their arrival in the district, paying the balance of their pay packages and other benefits, providing counselling and career guidance to the veterans, organizing and meeting with the veteran associations, liaising with district officials and community leaders on the reintegration program and a variety of reporting tasks. The DVPOs are brought together 2-3 times a year for training and to discuss issues of common concern.

Financial management and reporting

UVAB has a computer-based financial management system and its accounts are audited continuously by Ernst & Young, an international accounting firm which has a representative working at UVAB's headquarters. The financial operation is overseen by an internationally-recruited Financial Controller and an Internal Auditor who reports directly to the Executive Secretary. At the district level, the DVPOs have accounts with the Uganda Commercial Bank and funds are disbursed by headquarters on the basis of each district's requirements. As noted above, each district office has a bookkeeper.

No major audit problems have been identified to date. UVAB submits monthly reports to the World Bank on the status of finances and operations. According to the World Bank Aide Memoir of September 24, 1993, "financial management systems and controls designed for Stage I of the program have been meticulously followed by the UVAB." The donors expect that UVAB's performance in this regard will continue to be satisfactory during Stage II.

Procurement

UVAB uses the GOU's procurement policies and procedures. Procurements are submitted to the Central Tender Board after they have been approved by a sub-committee of the Board of Directors. Procurements are also submitted to the World Bank for approval.

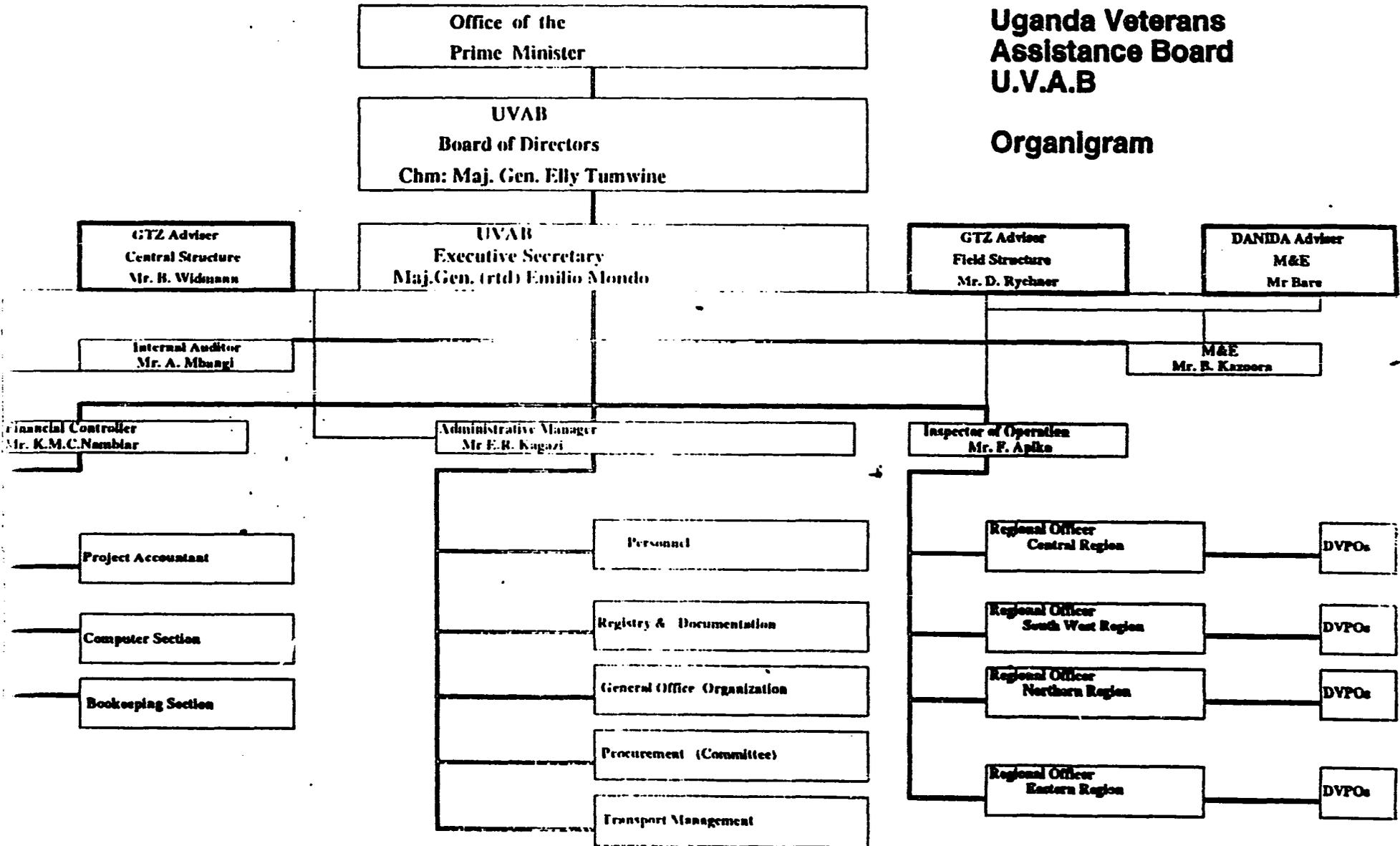
UVAB's Performance to Date

During Stage 1, UVAB successfully prepared, paid and transported 23,000 veterans and 37,000 dependents to their home districts. A multi-donor evaluation mission led by the World Bank found UVAB's performance during Stage 1 to be satisfactory in all areas except for monitoring and evaluation. The mission made a number of recommendations for improving the implementation of the program and these have been adopted during Stage 2. UVAB's monitoring capability has been strengthened with the addition of a monitoring advisor and training for district program officers in collecting and reporting information for monitoring purposes. UVAB reports that it now has a complete data base on all discharged soldiers.

Observations of the initial Stage 2 demobilization (6,500 of the planned 10,000) by the World Bank and a German government mission

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indicate that UVAB continues to perform well and that the minor problems identified in Stage 1 have been corrected. USAID has every reason to believe that UVAB will continue to carry out its mandate in a responsible manner.

VII. RECOMMENDED ENVIRONMENTAL THRESHOLD DECISION

A Categorical Exclusion is recommended for all activities under the project per Section 216.2 (c) (2) (i) and (iv) of the Code of Federal Regulations (CFR) (see Annex C, Initial Environmental Examination). The demobilization assistance is part of a multidonor project to which USAID is a minor donor and for which there are no potential significant environmental effects upon the environment of the United States, areas outside any nation's jurisdiction or endangered or threatened species or their critical habitat. The agricultural technology and credit component will provide technical assistance, training and credit to approximately 2,000 beneficiaries to help them develop small scale, environmentally sustainable agricultural production and agro-processing activities. There will be no activities involving irrigation, agricultural land levelling, drainage or large scale agricultural mechanization and no other activities that could have a potentially harmful effect on the environment. The project will not promote the use of pesticides.

ANNEX A
UGANDA DEMOBILIZATION AND REINTEGRATION PROJECT (617-0135)

| NARRATIVE | VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|---|--|--|--|
| <p>PROJECT GOAL:</p> <p>To reduce Uganda's military force in a socially responsible manner.</p> | <p>1. Demobilization of 42,000 soldiers by the end of 1995.</p> <p>2. Demobilized soldiers successfully reintegrated into civilian society.</p> | <p>UVAB records</p> | |
| <p>PROJECT PURPOSE:</p> <p>To assist demobilized soldiers to re-settle and become economically productive members of their communities.</p> | <p>EOPS:</p> <p>1. Stage 2 demobilization completed.</p> <p>2. 2,000 project-assisted veteran households derive food or cash from agricultural production and agribusiness.</p> | <p>1. UVAB records</p> <p>2) PVO records</p> | |
| <p>OUTPUTS:</p> <p>1. Demobilized soldiers receive severance packages and are transported to their homes.</p> <p>2. Agricultural technology, materials and/or financing provided to veterans and their families in five districts.</p> | <p>1. 10,000 men and women</p> <p>2a. No. of farming and agroprocessing ventures established.</p> <p>b. No. of households adopting new farming technologies.</p> <p>c. No. of households planting improved crop varieties.</p> | <p>UVAB records</p> <p>PVO records</p> | <p>The majority of veterans are willing and able to engage in farming and agroprocessing.</p> <p>Veterans have a small amount of capital to invest in productive ventures.</p> |
| <p>INPUTS:</p> <p>1. Demobilization Support</p> <p>2. Agricultural Technology and Credit</p> <p>a. Oxen plowing training, implement provision, matching grants</p> <p>b. Multiplication and distribution of improved seeds and plant stock</p> <p>c. Oilseed process</p> <p>d. Monitoring</p> <p>e. Audits of sub-grantees</p> | <p>\$1,000,000</p> <p>\$550,000</p> <p>\$150,000</p> <p>\$270,000</p> <p>\$20,000</p> <p>\$10,000</p> | <p>World Bank audit, USAID and PVO records</p> | |

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Second Stage Demobilization Costs
Estimated Program Costs per Veteran (US\$)

Annex G1

| | Before/At Discharge | Demobili- zation | Total |
|--|------------------------|---------------------|----------------|
| A. Veterans Entitlements and Benefits | | | |
| Settling-In Veteran Entitlements | | | |
| Payable-in-Cash | | | |
| Clothing Allowance | 36,000 | 0 | 36,000 |
| Food Allowance | 14,000 | 112,000 | 126,000 |
| Medicare | 0 | 17,935 | 17,935 |
| Settling-in & Per Diem | 100,000 | 100,000 | 200,000 |
| Agricultural: | | | |
| Hoes | 0 | 7,000 | 7,000 |
| Panga | 0 | 3,000 | 3,000 |
| Seeds | 0 | 15,000 | 15,000 |
| Shelter: | | | |
| Poles | 0 | 36,000 | 36,000 |
| Doors | 0 | 45,000 | 45,000 |
| Windows | 0 | 22,000 | 22,000 |
| Nails | 0 | 15,000 | 15,000 |
| Vents | 0 | 6,000 | 6,000 |
| Skilled Labor | 0 | 30,000 | 30,000 |
| Sub-total (total in cash) | 150,000 | 408,935 | 558,935 |
| Payable-in-Kind | | | |
| Shelter: | | | |
| G.C.I. Sheets | 0 | 200,000 | 200,000 |
| G.C.I. Rigdes | 0 | 15,000 | 15,000 |
| Est. Transport | 0 | 13,200 | 13,200 |
| Education Fees | 0 | 36,500 | 36,500 |
| Sub-total (total in-kind) | 0 | 264,700 | 264,700 |
| Centrally Administered | | | |
| Photos, Misc. | 15,800 | 0 | 15,800 |
| Pre-Disch. Orientation Pack. | 10,420 | 0 | 10,420 |
| Transport, Escorts, Ins. | 78,900 | 0 | 78,900 |
| Sub-total (total from center) | 105,120 | 0 | 105,120 |
| Sub-totals (total entitlements) | 255,120 | 673,635 | 928,755 |

Second Stage Demobilization Costs
Estimated Program Costs (US\$)

Annex G2

| | Before/At Discharge | Demobili- zation | Total |
|---|------------------------|---------------------|------------------|
| A. Veterans Entitlements and Benefits | | | |
| Settling-in Veteran Entitlements | | | |
| Payable-in-Cash | | | |
| Clothing Allowance | 313,043 | 0 | 313,043 |
| Food Allowance | 121,739 | 973,913 | 1,095,652 |
| Medicare | 0 | 155,957 | 155,957 |
| Settling-in & Per Diem | 869,565 | 869,565 | 1,739,130 |
| Agricultural: | | | |
| Hoes | 0 | 60,870 | 60,870 |
| Panga | 0 | 26,087 | 26,087 |
| Seeds | 0 | 130,435 | 130,435 |
| Shelter: | | | |
| Poles | 0 | 313,043 | 313,043 |
| Doors | 0 | 391,304 | 391,304 |
| Windows | 0 | 191,304 | 191,304 |
| Nails | 0 | 130,435 | 130,435 |
| Vents | 0 | 52,174 | 52,174 |
| Skilled Labor | 0 | 260,870 | 260,870 |
| Sub-total (total in cash) | 1,304,348 | 3,555,957 | 4,860,304 |
| Payable-in-Kind | | | |
| Shelter: | | | |
| G.C.I. Sheets | 0 | 1,739,130 | 1,739,130 |
| G.C.I. Ridges | 0 | 130,435 | 130,435 |
| Est. Transport | 0 | 114,783 | 114,783 |
| Education Fees | 0 | 317,391 | 317,391 |
| Sub-total (total in-kind) | 0 | 2,301,739 | 2,301,739 |
| Centrally Administered | | | |
| Photos, Misc. | 137,391 | 0 | 137,391 |
| Pre-Disch. Orientation Pack. | 90,609 | 0 | 90,609 |
| Transport, Escorts, Ins. | 686,087 | 0 | 686,087 |
| Sub-total (total from center) | 914,087 | 0 | 914,087 |
| Sub-total (total entitlements) | 2,218,435 | 5,857,696 | 8,076,130 |
| Enhanced Benefits | | | |
| Scholarship Fund for Veterans | | | 256,522 |
| Enhanced Health-Disabled Package | | | 93,217 |
| Education Fees Retrospective | | | 73,896 |
| Sub-total (total enhanced benefits) | | | 423,635 |
| Total Entitlements and Enhanced Benefits | | | 8,504,565 |

| | |
|---|------------------|
| B. Operating and Administrative Costs | |
| Non-Personnel UVAB-HQ | 181,332 |
| Personnel UVAB-HQ | 194,486 |
| <hr/> | |
| Sub-total (total UVAB-HQ) | 375,818 |
| Non-Personnel DVPOs | 141,708 |
| Personnel DVPOs | 92,605 |
| <hr/> | |
| Sub-total (total DVPOs) | 234,313 |
| Total Operating and Administrative Costs | 610,131 |
| | |
| C. Auditing, Monitoring, Evaluation and Training | |
| Auditing | 126,087 |
| Monitoring & Evaluation | 71,387 |
| DVPO/DVR Training | 91,304 |
| <hr/> | |
| Total Auditing, Monitoring, Evaluation and Training | 288,778 |
| | |
| Grand Total | 9,403,475 |
| | |
| 5 % Contingencies | 470,174 |
| <hr/> | |
| Grand Total Including Contingencies | 9,873,649 |

1:50 USn per US\$

ANNEX C

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Initial Environmental Examination
or
Categorical Exclusion

Project Country: Uganda
Project Title and Number: Uganda Demobilization and Reintegration (617-0135)
Funding: FY 94: \$2,000,000
IEE/CE Prepared By: Susan Fine, USAID/Uganda
Project Development Officer

Environmental Action Recommended:

Positive Determination _____
Negative Determination _____
Categorical Exclusion X

The Uganda Demobilization and Reintegration project qualifies for a Categorical Exclusion as set forth in the Code of Federal Regulations, Section 216.2 (c) (2) (i) and (iv). One component of the project is part of a multidonor demobilization project administered by the World Bank to which A.I.D. is a minor donor and for which there are no potential significant environmental effects upon the environment of the United States, areas outside any nation's jurisdiction or endangered or threatened species or their critical habitat. The other component of the project will provide technical assistance, training and agricultural inputs to approximately 1000 demobilized soldiers to help them develop small scale, environmentally sustainable agricultural production and agro-processing activities. There will be no activities involving irrigation, agricultural land levelling, drainage or large scale agricultural mechanization and no other activities that could have a potentially harmful effect on the environment. The use of pesticides will not be promoted by the project.

Concurrence:

[Handwritten signature]
Bureau Environmental Officer

Approved ✓
Disapproved _____
Date Jul 26, 1994

Clearance:
GC\AFR: [Signature] Date 7/27/94

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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 second stage of Uganda's demobilization.

1. Demobilization Assistance

The second stage of Uganda's military 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. For the first stage, cash payments to veterans represented 79 percent of the total program cost, direct costs of demobilization, primarily transportation, were 10 percent of the total cost and UVAB's administrative expenses accounted for the remaining 11 percent.

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 veterans' 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.

Agricultural Reintegration

The objective of this component is to support the reintegration of demobilized soldiers into communities in north central Uganda. The districts of Lira, Apac, Soroti, Kumi and Pallisa, where approximately 6000 veterans will be returning will be the focus of this two year training and agriculture development activity.

Veterans and their families will receive training and assistance designed to assist them to become self sustainable economic units and to be reintegrated quickly 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 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 three FVOs and the National Agriculture Research Organization (NARO).

PROJECT SUMMARY

UGANDA DEMOBILIZATION AND REINTEGRATION PROJECT 617-0135

Project Goal and Purpose

The Uganda Demobilization and Reintegration Project (UDRP) will support the demobilization of 10,000 soldiers countrywide and provide veterans in 2-4 districts with technical skills and credit to develop agricultural and agro-processing activities. The goal of the project is to contribute to a reduction in Uganda's military force. 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 1,000 veterans and spouses of veterans¹ 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.

Project Description

The UDRP will be a two year, \$2 million project with two distinct components: 1) direct support for demobilization (\$1 million); and 2) a small agricultural technology and credit program to assist veterans and their spouses to establish productive agricultural 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. 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 a U.S. or international PVO to be selected through a competitive process. The program will be operated in 2-4 districts with a relatively high concentration of veterans, probably selected from the eastern and northern regions of Uganda (likely candidates include Soroti, Gulu and Lira). The PVO 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 soldiers receive severance packages and are re-settled;
2. Agricultural technology and inputs provided to veterans and their spouses in five districts.

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.