PD-ABM-818
ISN 99177

Private Enterprise Support, Training and Organizational Development Project (PRESTO)

617-0134

Project Paper

June 14, 1995

LIST OF ACRONYMS

BAI	Business Associations Initiative
BAs	Business Associations
CMF	Center for Microenterprise Finance
CPSP	Country Program Strategic Plan
EOPS	End of Project Status
FAA	Foreign Acquisition Act
FINCA	Foundation for International Community Assistance
FSGP	Financial Services Grant Program
FSAC	Financial Sector Adjustment Credit
FSN	Foreign Service National
FY	Fiscal Year
GDE	Gross Domestic Expenditure
GDO	General Development Office
GDP	Gross Domestic Product
GOU	Government of Uganda
HH	Household
ICEP	Institutional Capacity Enhancement Program
ICP	Institutional Capacity Program
KEDS	Kenya Export Development Support
ME	Microenterprise
MFEP	Ministry of Finance and Economic Planning
MIS	Management Information Systems
MSME	Micro-, Small, and Medium Enterprises
NADIC	National Agricultural Documentation and Information Center
NARO	National Agriculture Research Organization
NGO	Non-Governmental Organization
OYB	Operational Yearly Budget
PID	Project Implementation Document
PIL	Project Imeplementation Letter
PIO	Project Implementation Order
PP	Project Paper
PRA	Participatory Rapid Appraisal
PRESTO	Private Enterprise Support, Training and Organizational Development Project
PRIME	Program for Innovation in Microenterprise
SGS	Societe General Surveillance
SOE	State-Owned Enterprises
SSE	Small Scale Enterprise
SUPER	Support to Uganda Primary Education Reform
STIG	Subsector Technology Innovation
TA	Technical Assistance
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USDH	United States Direct Hires
US	United States
UWESO	Uganda Women's Effort to Save Orphans
VAT	Value Added Tax
WISE	Women in Small Enterprise

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Executive Summary

The Private Enterprise Support, Training and Organizational Development (PRESTO) Project is a $20 million grant, the goal of which is to promote sustainable, equitable economic growth on a competitive, diversified basis. The purpose of the project is to increase employment and productivity in micro-, small and medium enterprises. The five year effort will have three foci: microenterprise interventions, a policy and regulatory component, and a business association initiative. The largest area of activity will be in microenterprise development. PRESTO will supply technical assistance and capital to commercial banks and NGOs providing financial services to microenterprises and will enable production innovation and quality improvements in several productive sub-sectors through provision of non-financial technical services. Second tier policy and regulatory constraints to micro-, small and medium enterprise growth will be overcome through engagement with Government of Uganda ministries and statutory bodies to improve operating procedures, and through support of the Uganda Investment Authority's investment facilitation activities. Business associations will be strengthened to deliver sustainable services to a broader cross-section of entrepreneurs in Uganda.

A participatory design process has culminated in a manageable set of interventions which is consistent with the mission's country development strategy and should predominantly benefit women and low income families. The PRESTO project is compatible with planned parallel activities of the World Bank, the UNDP and other bilateral donors. A grant to the Government of Uganda will finance technical assistance, commodities, training and sub-grants to Ugandan institutions. Activities will be managed by a single technical assistance contractor. Mission project management will consist of one USDH private enterprise officer and two FSN PSC project management assistants. The latter will be project-funded. A rigorous monitoring and evaluation program is planned for this innovative program, which will include active collaboration with the Global Bureau Office of Microenterprise Development (G/EG/MD). There will be no adverse environmental impact from PRESTO.

I. STATEMENT OF PROBLEM, PROJECT PURPOSE AND INTERVENTIONS

A. Background and Constraints

1. Problem to be Addressed

Uganda's GDP growth rate has averaged an impressive 5% per year since 1990. Per capita GDP growth has been positive, on the order of 2%. Uganda's unemployment rate is below 10%, again a positive picture. Through adherence to a sensible policy agenda, the rate of inflation during the past two years has been under 10%. In Sub-Saharan Africa, indeed anywhere in the developing world, this is laudable performance.

Considered differently, however, this performance is less than desirable. At the current rate of growth, it will take 35 years to double GDP per capita which, at $170, is one of the lowest in the world. Furthermore, the apparently benign rate of unemployment masks significant underemployment, particularly in rural areas where large numbers of people live below the poverty line, however defined. To compound this disturbing picture, it is not possible for the 300,000 net annual additions to the labor force to be absorbed at the current rate of economic growth.

In agriculture, which now constitutes about 60 percent of total GDP and occupies about 80 percent of the labor force, it is clear that labor productivity gains are feasible and essential if rural poverty is to be reduced. However, if productivity improves, the ability of agriculture to absorb rural labor force entrants at past rates is doubtful. It is estimated that, with modest increases in agricultural production and labor productivity, approximately 100,000 Ugandans per year will need to find employment in the non-farm sector. Smaller scale enterprises provide 90 percent of non-farm employment in both rural and urban areas. Poverty alleviation depends heavily, therefore, on increased employment and productivity in this element of Uganda's private sector.

2. Uganda's Non-Farm Private Sector

If all the enterprises in Uganda were arrayed by size and number, the result would be a pyramid with the tip representing a small number of large firms, a slightly larger section beneath the tip representing medium-sized firms, and the bulk of the pyramid representing micro- and small enterprises (MSEs). Large firms in Uganda are primarily multinationals or state-owned enterprises. Medium sized firms are predominantly privately owned and include a number of family-owned industrial companies. The largest class of enterprises are MSEs. A 1992 UMA survey of several hundred manufacturing firms found that more than 80% of the firms fell into either the micro- or small enterprise category.[1]

MSEs are the principal source of employment outside agriculture

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[1] **Amanda Carlier, World Bank, Uganda Private Sector Analysis (draft), 1995.**

employing 20% of the labor force. They produce 80% of the manufactured output in Uganda and are estimated to contribute 20% of Uganda's GDP.[2] According to a nationwide study of private sector non-farm activities, just over 38% of all microenterprises are owned by women, 14% are owned by families or other groups and the balance of 46% are owned by men. Over half (63%) of all MSEs are involved in trade and commerce, 30% are in manufacturing and the remainder are in service and repair activities. 70% of all the enterprises interviewed reported having capital assets of less than 200,000 Ugandan shillings (approximately $200). These enterprises are predominantly owner-capitalized and have virtually no access to formal sources of credit. Only 5.9% have ever borrowed from a formal source and 27.5% have borrowed from informal sources. For the remaining two thirds, personal savings is their only source of investment. Only 13% of microenterprises surveyed hold title to land.[3]

3. Constraints to Private Enterprise Development

During the process of project design, five categories of constraints to the growth of private enterprises were identified:

-- the legal, policy, and regulatory framework;
-- financial resources;
-- infrastructure;
-- human resources; and
-- information.

These constraints were exhaustively analyzed by Mission staff, external consultants, and potential beneficiaries of the proposed project. We learned that the degree to which these are constraints varies by size and type of firm. For the smallest microenterprises, lack of access to financial services (savings and lending) is the most important constraint. Deficiencies in the enabling environment inhibit medium and large firms more than others, but all firms, regardless of size, appear to be constrained by government regulations and bureaucracy. Among constraint areas as well, there is a certain amount of overlap, particularly as the policy environment is itself partially responsible for the existence of some of the other constraint areas. These five constraints are described briefly below, and in more detail in the PRESTO Project Identification Document (December 1994) and its annexes.

a. Legal, Policy and Regulatory Constraints

Uganda has been highly successful in removing "primary" policy constraints to private sector development through actions such as liberalizing the foreign exchange regime, lowering taxes and tariffs, and creating a more stable macroeconomic environment. The

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2 Tulip, Bitekerezo 1993.

3 Impact Associates 1995.

success of these reforms has overshadowed the large number of "second tier" regulatory and policy reforms that are still needed. These second-tier constraints comprise issues which are less obvious and/or more difficult to address -- such as commercial law and land policy and include policies which have been established on paper but have never been implemented -- such as duty drawback schemes and the tax appeals court. When considered individually, some of these constraints seem merely inconvenient and time consuming; when grouped together, they constitute a substantial drag on the growth of all sizes of enterprises.
Enabling environment constraints are either existing policies which are outdated and/or counterproductive or legislation that is needed but does not now exist. Many laws enacted under Idi Amin's government to harm the country's Asian business community have never been repealed. Other laws are merely antiquated and no longer appropriate to Uganda's current pro-business climate (the last consolidation of Uganda's laws occurred in 1964). Despite the fact that many of these laws are not enforced, their continued existence adds uncertainty to the investment environment. More damaging than the bad laws which are ignored are the bad laws that are enforced. These include laws which restrict competition in utilities provision (resulting in poor quality services and high prices for consumers), and which underpin counterproductive land policies. Finally, the legal system itself provides an impediment to the business community, with long delays in hearing cases and poor enforcement of contracts. The high cost of these enabling environment problems particularly affects smaller businesses if they wish to operate legally in such an environment.

In parallel with constraints to the business environment are the problems created by government control/bureaucracy. These problems stem from a combination of poor or ineffective implementation of laws, institutional inefficiencies, poor governance and corruption. Bureaucratic constraints affect all levels of businesses in Uganda, but they impose a particular hardship on smaller enterprises lacking high-powered connections or resources to demand their rights. One example is the lengthy customs clearance process which forces businesses to hold larger inventories than would normally be needed. Another is the cumbersome process required to register a business. Both of these problems disproportionately affect smaller firms, which do not have the financial means to invest in overcoming the constraints.

b. Financial Constraints

Despite some recent improvements, the financial system in Uganda is weak, inefficient and does not effectively serve the needs of businesses and consumers, especially those at the smaller end of the spectrum. With a capital deficiency in six commercial banks, the overall system is insolvent. The savings mobilized from the general public are being used to finance the banks' lack of capital and large non-performing asset portfolios rather than as loans to stimulate economic development. With a few exceptions, the commercial banks are highly urban-oriented and their direct entry into rural financial markets is unlikely, without further innovation. Non-bank financial institutions have a poor track record and no significant role in financial intermediation at the small end of the economic scale. NGOs that have attempted to address the financial services needs of poor people have thus far been generally unsuccessful at both savings mobilization and loan recovery (with the exception of the FINCA program).

c. Infrastructure Constraints

The inadequacy of physical infrastructure is a major constraint to new investment and a contributing factor to the high cost of doing business in Uganda. One key infrastructure constraint is the unavailability of serviced land (for medium and large investors) and the difficulty of obtaining title to land (for smaller scale enterprises). Utilities are poorly developed and expensive; moreover, services are concentrated in Kampala and a few other towns. Transport is a constraint since Uganda has no sea port, air cargo capacity is limited at present, and the rail system and road systems connecting Uganda with Kenya's port are slow and poorly maintained.

d. Human Resource Constraints

Uganda's labor supply is characterized by skill shortages and low productivity. These problems increase business costs, not only reducing Uganda's ability to attract investment and compete, both regionally and abroad, but also affect the productivity of microentrepreneurs. Shortages in five areas stand out as particularly critical to enterprise growth and development: 1) mid-level management skills; 2) accounting skills; 3) banking and finance skills; 4) business advisory skills; and 5) entrepreneurial and technical skills. Skill shortages result from and are exacerbated by a number of factors. The fundamental cause is the poor quality of the education and training system. Educational infrastructure is run down and current levels of investment in education and training are much too low. Also, there is a mismatch between the output of the education system and the requirements of the economy. The AIDS pandemic and migration of educated Ugandans are exacerbating factors.

e. Information Constraints

Lack of cost-effective, accurate and reliable information was identified by the National Forum on Strategic Management for Private Investment and Export Growth (in October 1992) as one of the key factors inhibiting private investment and export growth in Uganda. This finding is mirrored in numerous studies of smaller scale enterprises in Uganda. Demand for business information and its effective utilization depend on the absorptive capacity of the enterprise using the information. Information in Uganda is not readily available, and often may not be usable. A first-time exporter or importer, for example, may not have the know-how to select the most promising market and develop a proper strategy on the basis of available data. Resolving or mitigating these information supply and analysis problems can make a major contribution towards making businesses more efficient.

B. Relationship of the Project to USAID and GOU Strategies

The PRESTO project will address some of the constraints discussed above that reduce the productivity and growth of micro-, small and medium enterprises (MSMEs). Amelioration of these constraints will enable households whose primary or secondary source of income is from non-farm private enterprises to improve the productivity of their businesses, thereby deriving more income from them. Larger MSMEs will be able to expand their businesses and employ more people.

The PRESTO project is a response to Uganda's substantially improved climate for private enterprise. When USAID/Uganda's CPSP (Country Program Strategic Plan) for the period 1992-96 was designed, private enterprise development per se was not a key feature of the strategy because the environment was not yet conducive to such an emphasis. It is clear from the strategy's sub-goal, however, that a flourishing private sector is a long-term objective. While the goal statement focuses on improving living standards, the sub-goal makes it clear that economic growth must be both sustainable and equitable, and that such growth is most likely when it is private sector-led. USAID/Uganda's approved strategic framework is:

Goal: establish the basis for sustainable improvement in the standard of living

Sub-goal: promote sustainable, equitable economic growth on a competitive, diversified basis

Strategic Objectives:

1. increase rural men's and women's income
2. stabilize biodiversity in target areas
3. increase the number and competence of primary education graduates
4. stabilize the health status of Ugandans

PRESTO will contribute directly to the achievement of SO1, increasing rural men's and women's income. The nationwide microenterprise survey conducted by USAID found that over 60% of rural households depend on non-agricultural activities for at least half of their income and that 80% of MSEs are located in rural areas.

Government of Uganda (GOU) support for a pro-private sector approach to economic management flows from the highest levels in the country, with the President an active and vocal advocate for private enterprise. This liberal approach is also evident in the Government's attitude toward political matters. Economic and political changes are placing Uganda in a position to serve as a role model for development in Africa. PRESTO will support this GOU emphasis on the private sector, and will extend the broader enabling framework so that it is more supportive of Uganda's economically important MSME (micro-, small, and medium enterprise) sector.

Finally, the PRESTO project is also consistent with USAID/Washington's Microenterprise Development Initiative which emphasizes the role of economic growth in achieving sustainable development, including major reductions in poverty and lasting improvements in the standards of living of the poor. Planned use of NGOs will contribute to the New Partners Initiatives.

C. Project Purpose and Proposed Interventions

The **goal** of the PRESTO project is **to promote sustainable, equitable economic growth on a competitive, diversified basis**, which is the same as USAID/Uganda's strategic sub-goal.

The **purpose** of the project is **to increase employment and productivity in micro-, small and medium sized enterprises.** This will be accomplished through three mutually reinforcing areas of assistance:

- -- microenterprise interventions;
- -- a policy and regulatory component; and
- -- a business associations initiative.

The **microenterprise interventions** will consist principally of financial services but will also include a limited array of non-financial services in specifically identified sub-sectors. The finance element will increase microenterpreneurs' access to savings and lending services. Technical assistance will increase the ability of financial institutions and NGOs to provide cost effective services to microenterprises, and grants for operational costs and loan capital will absorb some of the risk of starting or expanding programs targeted at microenterprises. The non-financial services component will assist microentrepreneurs in selected productive subsectors with high growth potential to expand their businesses through improved technology and skills, and through better linkages to their target markets. Small grants will be available for institutions with sound proposals for offering these services to microentrepreneurs in the targetted sub-sectors.

As discussed earlier, microenterprises account for the bulk of employment and output in Uganda's non-farm activities, but lack access to either financial or business development services. Their ability to contribute to growth and employment in this growing economy justifies efficient support to these firms. However, because of their small size, it is difficult to deliver information, technology and capital to microenterprises on a cost-covering basis. Intermediation costs and problems with quality and timely production constrain backward linkages from larger firms and access to higher profit-margin markets. In order to prosper and grow, microenterprises require targeted financial and non-financial assistance.

The **policy and regulatory component** will involve a mix of removing constraints and facilitating entrepreneurs' efforts to negotiate policy and regulatory reform. The project will provide technical assistance to the Government of Uganda to design means of changing elements of the policy and regulatory framework and to actually implement the changes. Short term technical assistance and operational support for the Uganda Investment Authority (UIA) will improve the UIA's ability to guide investors through the legal and regulatory maze, as well as provide input to policy analysis and formulation in the Ministry of Finance and Economic Planning (MFEP).

Although the macroeconomic policy environment in Uganda is distinctly more favorable to business than it was even five years ago, there remain a large number of second-tier policy, regulatory, and legal obstacles to the smooth working of private sector activity. A number of these obstacles are already under review and correction by the World Bank and bilateral donors through a variety of activities. PRESTO's contribution in the policy and regulatory component will not duplicate these, but will carve out areas that are more relevant to the smaller-scale end of the enterprise spectrum. While the assistance provided through this component will not exclusively focus on the problems facing smaller-scale entrepreneurs, the anticipated legal and regulatory changes will also make doing business easier for MSEs. Therefore, the links between this component and the other two components of PRESTO will need to be close and deliberate, with the latter two providing input to the technical advisors in this component.

The **business associations initiative** (BAI) will empower the private sector by giving business associations to work with their members and Government to improve the business environment and offer the kind of support services that are demanded by a vibrant private sector. Business associations (BAs) can play an important role in identifying and lobbying for needed policy and regulatory reforms and in delivering non-financial services to micro- and small scale enterprises. Technical assistance will be provided to selected associations who are best able to fill this role. It is also planned that an existing -- but nascent -- private arbitration mechanism for smaller businesses will be strengthened.

This business associations component is based upon the premise that micro- and small enterprises (MSEs) will be better able to compete if they are served by effective associations. Strong BAs providing member services and effective advocacy are a way of reaching large numbers of diverse MSEs. In concert with other project interventions, the BAI will increase the number and size of MSEs by improving the business environment and by strengthening Uganda's domestic capacity to provide business and technical advisory services.

Although there are crucial linkages among the three project components, the additional glue to bind them together will come from their joint implementation by a unified contractor team with a Chief-of-Party responsible for coordinating all technical assistance, training, commodities and grant administration.

D. Participatory Design Process

At the PID stage, Ugandan consultants from the private sector and government joined USAID staff and external consultants to prepare elements of a comprehensive constraints analysis. The results of this analysis and the suggested interventions emanating from it were shared with a broad cross-section of the private sector, GOU, and donor community in Uganda. The feedback was integrated into the PID.

In order to obtain additional information on intended beneficiaries and their needs, USAID/Uganda commissioned a nationwide survey of 16,000 household to analyze micro- and small enterprise activities. This is by far the largest study of microenterprises ever conducted in Uganda. At the final design stage, the Mission undertook a number of activities to learn more about the types of people who may be beneficiaries of the PRESTO project. The design team spent a day with the enumerators who were conducting the national base-line survey, listening to interviews and observing the businesses of respondents who have microenterprises in a small market town about one hour from Kampala. The team also visited a group of women in Jinja, many of them widows, who are receiving financial services from a US NGO, the Foundation for International Community Assistance (FINCA).

The design team spent a day meeting women in the peri-urban areas around Kampala who receive loans from the New Mulago Hospital's Ward 11 HIV/AIDS clinic loan program. Another day was spent in Entebbe with Peace Corps Volunteers and their Ugandan counterparts who are attached to the Women in Small Enterprise Project (WISE). WISE works with the people who receive assistance, including loans, from the Uganda Women's Effort to Save Orphans (UWESO). A team member also spent a day at an impact evaluation workshop sponsored by the British NGO, ActionAid, that was attended by participants from a variety of Ugandan and international NGOs.

After the components of the design were developed, potential beneficiary-clients and representatives from potential implementing and collaborating agencies were consulted to test the validity of the assumptions behind the proposed interventions and the appropriateness of the interventions themselves. These meetings led to refinements of the proposed design.

USAID staff also collaborated with the World Bank in a two-day workshop to preview proposed interventions of both the PRESTO grant and a new World Bank private sector support credit. The workshop participants included 40 enterpreneurs, 15 government officials and 10 donor representatives. The objective of this workshop was to validate or revise the proposed interventions and their analytic underpinning and to gain commitment to the projects' final design and implementation. These objectives were largely met.

II. PLAN OF ACTION

The illustration on the following page shows the three major components of PRESTO and their sub-elements.

A. Microenterprise Interventions

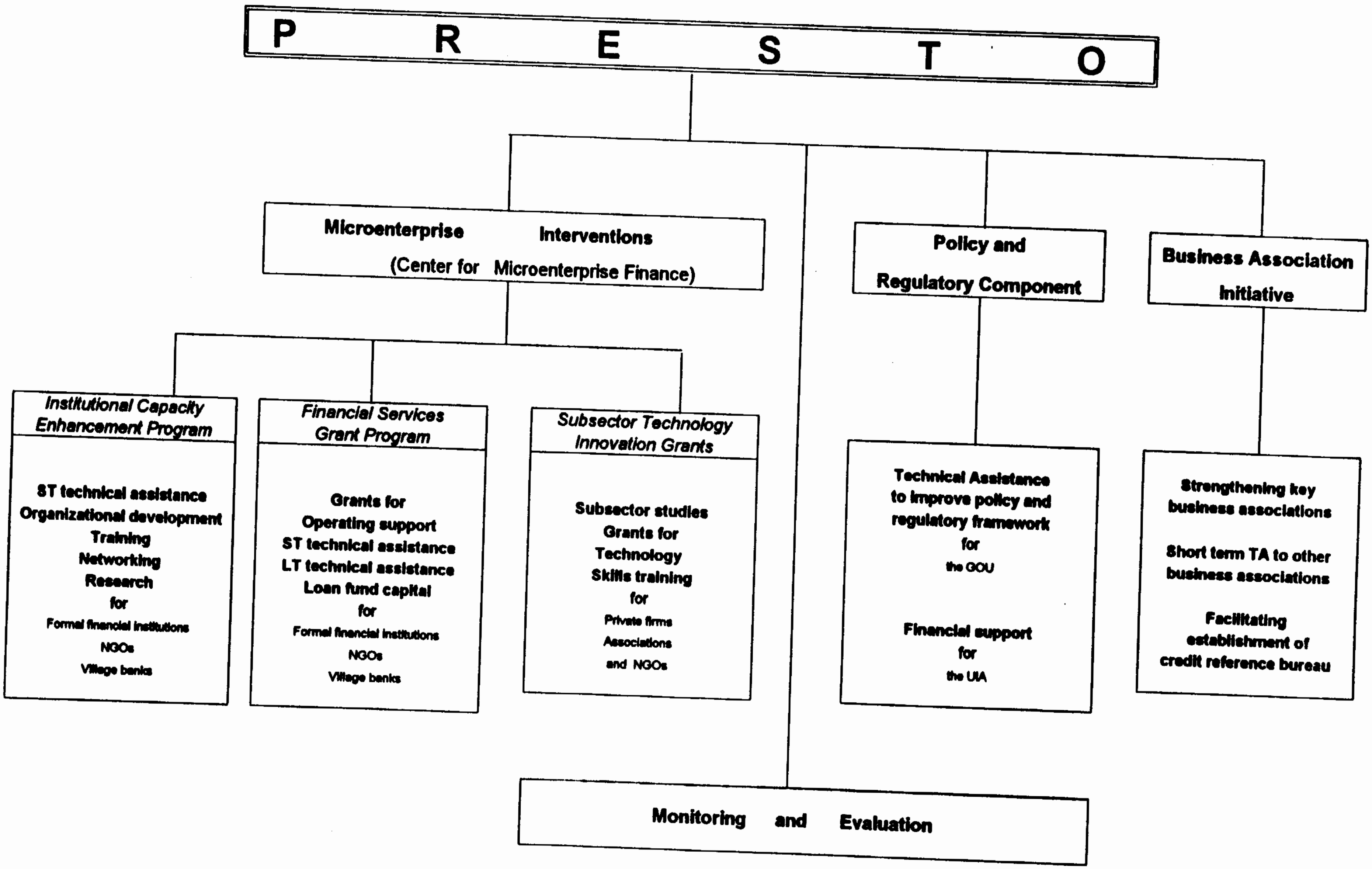
MIcroenterprise development will be supported through provision of financial and limited non-financial services housed in a Center for Microenterprise Finance (CMF). The CMF will have three components. The first will be an Institutional Capacity Enhancement Program which will be established as a national clearinghouse, or center of excellence, for microenterprise finance. The second component will be a Financial Services Grant Program that will provide operational support to banks and NGOs for microenterprise finance programs. The third component will be a Sub-sector Technology Innovation Grants program that will help improve technology and skills of microentrepreneurs in selected sub-sectors with strong growth potential.

1. Institutional Capacity Enhancement Program (ICEP)

Under the ICEP, microenterprise financial intermediaries, NGOs, community self-help group leaders, educators, researchers, GOU policy makers, donors, and other interested parties will be able to access state-of-the-art information on how best to provide financial services to microenterprises. The Institutional Capacity Enhancement Program will sponsor training courses, have literature for reference and sale, coordinate targeted research and evaluation activities, disseminate lessons learned from Uganda and around the world, contribute to donor coordination, provide short term technical assistance to microenterprise service providers to address specialized needs, and sponsor limited internships and secondments to develop the pool of skilled financial services providers. The ICEP will aim to enhance financial service delivery capacity, facilitate collaboration among microenterprise lenders and raise standards of performance.

2. Financial Services Grant Program (FSGP)

The FSGP will manage a pool of grant funds that will be made available on a rolling competitive basis to commercial banks and NGO providers of financial services to microenterprises. These grants will provide financial intermediaries with the resources to reach a large number of beneficiaries in a cost-effective manner. Grants will be in the range of $0.5-1.5 million and will support the operating costs of program expansion, specialized technical assistance and training (which is not provided by the ICEP), capitalization of revolving loan funds, and limited commodities. Grant awards will be based on competitive methodologic and economic growth criteria. Successful applicants will have to demonstrate realistic plans to extend financial services to large numbers of microentrepreneurs on a sustainable basis. Indicators such as the number of expected clients, number of savers, level of savings


PRESTO
Microenterprise Interventions
(Center for Microenterprise Finance)
Policy and Regulatory Component
Business Association Initiative
Institutional Capacity Enhancement Program
ST technical assistance
Organizational development
Training
Networking
Research
for
Formal financial institutions
NGOs
Village banks
Financial Services Grant Program
Grants for
Operating support
ST technical assistance
LT technical assistance
Loan fund capital
for
Formal financial institutions
NGOs
Village banks
Subsector Technology Innovation Grants
Subsector studies
Grants for
Technology
Skills training
for
Private firms
Associations
and NGOs
Technical Assistance
to improve policy and
regulatory framework
for
the GOU
Financial support
for
the UIA
Strengthening key
business associations
Short term TA to other
business associations
Facilitating
establishment of
credit reference bureau
Monitoring and Evaluation

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mobilized, savings mobilized per unit of capital applied for, number and level of loans, and cost of funds lent, will help describe an institution's capacity for outreach, cost-effective service delivery, and degree of independence from donor subsidies. Basing awards on economic criteria will encourage a rapid expansion of services.

In order to ensure that, to the maximum extent possible, women, veterans, orphans and their caretakers, and those in the north of Uganda are able to benefit from the expansion of micro-finance services, grantees will be required to disaggregate their client data by gender, location, former military status, and whether one is an orphan or an orphan caretaker. At the end of the first year of implementation and each year thereafter, an assessment will gauge whether and to what extent project benefits are reaching disadvantaged and at-risk populations. If these groups appear to be marginalized, modifications may be indicated as a condition for release of subsequent tranches of grant funds. Potential grantees can receive technical assistance from the ICEP to help in institutional strengthening in order to qualify for the Financial Services Grant Program. Broad guidelines for eligibility for grant funding include: the institution receiving grant funding must be registered as a legal entity in Uganda; the model proposed must have a proven track record as an efficient and potentially sustainable mechanism to deliver financial services to microenterprises; and the institution must have in place or have planned management structures including appropriate staffing and effective management information systems.

The financial services component of PRESTO is based on proven global methodologies that can be adapted and fine tuned for use in Uganda. These somewhat standard methodologies are based on providing simple financial services -- mainly savings and turnkey credit -- to large numbers of people, using community solidarity and cross guarantees, cost-covering interest rates and low administrative overheads. Financial services provision will have a significant impact on the growth of microenterprises and the families they support. The impact will be greatest for the smallest of enterprises which have little or no access to savings and credit schemes. Larger microenterprises (those firms of 5-10 employees), however, need both financial and non-financial services in order to achieve significant growth.[4]

3. Sub-sector Technology Innovation Grants (STIG)

While financial services provision is based on successful experience, methodologies for delivering non-financial services in a cost effective manner are more experimental. Management and "entrepreneurial" training programs have had mixed success globally

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[4] Smaller microenterprises also need non-financial services, however the cost of delivering such services to threshold enterprises and their limited absorptive capacity make it impractical to target these firms for non-financial services.

and do not address the core issue for Ugandan microentrepreneurs of how to make a better product or service that people will want to buy. Technical and vocational training programs which take an academic approach and are not linked to current or future employment also have not had the full desired impact either in Uganda or elsewhere. PRESTO therefore will take a very targeted approach by providing non-financial services to growth-oriented microentrepreneurs in a few productive sub-sectors through Sub-sector Technology Innovation Grants (STIG).

The technology, information, technical assistance, training and other support needed to improve the production and profitability of carpenters is different from that of metalworkers, tailors, oil seed processors and so on. Specialized interventions are needed for each sub-sector in order to achieve high impact growth. The first activity of this component will be a series of studies which will identify the 3-4 sub-sectors which have the greatest potential for expansion through increased access to technology and markets. Other factors in the selection of sub-sectors will be the total number of Ugandans employed (and thereby able to benefit), stressing rural and female participation, in each of the sub-sectors. Project interventions will then be focused on the 3-4 chosen sub-sectors.

The STIG program will give grants to organizations that demonstrate the capacity to provide technology, skills training and/or information to microenterprises in the selected sub-sectors in a manner that achieves significant outreach and minimizes or eliminates dependence on external subsidies. Interested organizations would submit a proposal for funding which would describe: the organization's capabilities; the activity to be funded; the expected clients (numbers, location, gender); and a cost recovery plan. Illustrative activities to be financed under this grants scheme are: establishment of a common facility workshop (e.g., a well equipped carpentry production facility where many small private producers could pool access to better technology and centralize marketing of their products); an appropriate technology dissemination project for one or more of the sub-sectors; creation or expansion of a specialized technical training center; support to a leasing company to provide production equipment to microentrepreneurs. The grants scheme would allocate up to $75,000 per year starting in year two of the project, for 2-5 individual grants per year. Grants will range from $5,000 to $50,000 per assistance award and grant funds will be included in the institutional contract.

4. USAID Support and Institutional Relationships

The PRESTO project will provide the following inputs to the Center for Microenterprise Finance. One expatriate microenterprise finance specialist will be supported for five years to create and run the Center. S/he will be assisted by two Ugandan professionals to run the Center's three programs. Short term assistance (local and international) will be provided to implement CMF activities. Operational cost support and commodities for the

Center will be financed. A fee-for-service scheme will be developed once the ICEP is operational to partially defray recurrent costs. Up to $6 million will be made available for the FSGP competitive grants pool and $300,000 will be available for the STIG program. USAID will use a portion of the FSGP funds to make a direct grant to the Cooperative Bank to launch a bank agency program. The Mission expects to received $1 million from the USAID Global Bureau's Program for Innovation in Microenterprise (PRIME) fund to support the Coop Bank program. This program will benefit from currently available external technical advisors in the Coop Bank who have extensive experience in commercial bank microenterprise financial services provision. This early action of activity will yield near term results and inform further financial sector interventions implemented by the TA contractor. Subsequent FSGP and STIG grants will be made by the institutional contractor.

The institutional contractor will have a Chief-of-Party (COP) located at the CMF who will be the project's principal technical advisor and will provide overall technical direction to the technical assistance team. S/he will also be responsible for liaising with the GOU, private sector entitities and other donors to ensure that project activities are complementary to other initiatives. The COP will ensure that project resources are used efficiently in accordance with USAID's regulations and the terms and conditions of the contract. As such, in addition to administrative skills, the COP should be well grounded in the substantive areas of the project.

B. Policy and Regulatory Component

The objective of this component is to improve the legal, policy, and regulatory framework facing the private sector in Uganda. Two approaches will be taken. First, PRESTO will provide technical and financial assistance to the Uganda Investment Authority (UIA) to improve its ability to ease its clients' problems in obtaining the requisite permits to do business in Uganda. Second, technical assistance will be provided to the Government of Uganda (GOU) to make necessary changes to the legal, policy, and regulatory framework to provide the private sector with as friendly an environment as possible for doing business.

1. Assistance to the Uganda Investment Authority

The UIA, in existence for approximately four years now, currently engages in three interrelated functions: approving and monitoring investment incentives, promoting investment in Uganda, and facilitating investors who arrive in Uganda. The focus of the PRESTO assistance to the UIA will be the third of these, which we believe is the one most intimately linked to the objectives of PRESTO. (USAID believes that the first of these functions should devolve over time; the second is a strongly discouraged use of USAID funds and is being supported by other donors.)

Part of facilitation is "hand-holding," walking investors through the legal and bureaucratic maze they face in Uganda. Another part of facilitation is establishing procedures to reduce some of the need for facilitation. USAID support will include:

- recurrent expenses for investor facilitation;
- creation and publication of investor services guides;
- training on investment facilitation techniques through overseas study tours and technical courses;
- seminars for relevant GOU bodies on the importance of their responsiveness in the overall promotion effort;
- identification of countries for which double-taxation treaties could spur investment into Uganda;
- establishment of the UIA and national business associations as clearinghouses for the provision of all business-related forms;
- modification of the current computer tracking system to allow for better post-investment services;
- computerized link to the Registrar's office for faster and easier business registration; and
- creation of a database of available commercial and industrial zoned properties in Uganda.

In addition, those providing business facilitation services at the UIA are most intimately knowledgeable about the legal and regulatory constraints investors face, and should be encouraged to recommend changes in specific laws and regulations.

2. Assistance to the GOU

While the UIA facilitation services will help investors cope with the excesses of the regulatory environment, it is also necessary to remove obstacles outright. Legislation which needs to be modified to improve the business environment includes:

- Bankruptcy Law;
- Mortgaging Law;
- Insurance Act;
- Leasing Law;
- Condominium Law;
- Arbitration Act;
- Electricity Act;
- Uganda Posts & Telecommunications Act; and
- National Water and Sewerage Corporation Decree.

Furthermore, some aspects of the existing legal structure should be repealed outright, having been enacted in Amin's time to disenfranchise the country's Asian community. Any legal reform work will be coordinated with the effort to codify Uganda's existing laws that is being jointly funded by USAID, the GOU and the Overseas Development Agency (ODA).

In addition to commercial law reform, some policy reform is also needed. For this effort, PRESTO will place an advisor in the Ministry of Finance and Economic Planning for 3 years. The role of this advisor is to help the Ministry modify policies which it has expressed the willingness to work on, but which it has never had the resources to complete. These tasks could include:

- help to establish the tax appeals court (or alternatively an arbitration process for tax disputes).
- act as an advisor in simplifying import/export procedures. Specifically, the advisor should seek to remove unnecessary documentary steps such as obtaining the import certificate from the Ministry of Trade and Industry and Form E from the Bank of Uganda. The advisor should also devise a system which would allow containerized imports to by-pass the Nakawa inland container depot. In addition, the advisor should advise the MFEP on the merits of Customs shifting to a random inspection system.
- provide advice on the establishment of double-taxation treaties;
- help to establish a simplified (interim) duty drawback program. Subsequently, following institution of the VAT program, a duty exemption scheme should be established.
- help to institute a more user-friendly bonded warehouse scheme by eventually moving to a system of paper controls.

While the GOU has recognized the importance of all of these issues, it has not had the resources to adequately address and properly implement these policies. The creation of a long-term advisory position will provide the MFEP with much needed assistance and thus allow it to become more responsive to the private sector.

3. USAID Support and Institutional Relationships

Short term technical assistance with a primary emphasis on investor facilitation will replace the current USAID-funded advisor in the UIA (whose focus has been to assist in the establishment of the basic functions of the UIA). The dual roles of the technical asssistance will be to further enhance the skills of the facilitation staff in the UIA and to assist the UIA to identify required changes in Uganda's "commercial code." To the extent possible, this technical assistance will concentrate on discrete elements of the facilitation agenda described above.

In addition, PRESTO will provide financial support to cover a portion of UIA's facilitation-related recurrent costs. USAID expects the GOU to pay a substantial portion of the UIA's costs and that the World Bank, under its new private sector project, will also assist. Other aspects of the UIA's budget are committed to by the European Union. Therefore, USAID's proposed interventions in the policy and regulatory framework are closely linked with those of other donors, and are related to GOU decisions in coming years.

A long-term advisor will work closely with the GOU, in the Ministry of Finance and Economic Planning, to actually implement changes in the legal, policy, and regulatory framework. This advisor will need to have strong support within the Ministry, will need to develop good working relationships with a number of other ministries, and will have to have close contact with the UIA (and its facilitation staff), with the PRESTO microenterprise component (to better understand policy and regulatory complaints of MSEs), and with the PRESTO BAI-supported associations (especially in their lobbying function). Short-term technical assistance will also be available if needed for these activities.

C. Business Associations Initiative (BAI)

Uganda needs business associations (BAs) capable of articulating a demand driven policy reform agenda to reduce barriers to micro and small enterprises. In addition to their advocacy role, BAs are an essential element of a business institutional support structure, and can in some cases provide sector-wide services such as the two targetted under this component of PRESTO.

1. General Institution Building

The BAI is a three year initiative to provide targeted support to the UMA and the UNCCI and to build the capacity of other selected business and/or professional organizations to increase the outreach, quality and sustainability of their services. All business and professional associations that are legally established, operational and can document a fee-paying membership are eligible for technical assistance and/or training through the BAI.
The BAI will have the following specific objectives:

-- increase the participation of MSE owners and operators, particularly female entrepreneurs, in business associations;

-- increase the level and quality of services offered to members;

-- increase selected associations' effectiveness representing members' interests.

These three objectives are interdependent. BAs need broader outreach and a larger membership to build the financial base required for sustainability; but they will only be able to attract new members (and thereby increase revenues) if they offer good quality services that members want since advocacy is not a revenue earner.

2. Two Targets of Opportunity

In addition to the capacity building objectives above, the BAI also will support two highly targeted interventions--one to establish a private arbitration service within the Uganda National Chamber of Commerce and Industry and the other to establish a credit reference bureau in coordination with the Uganda Bankers' Association.

For the former, PRESTO will assist the UNCCI to offer private arbitration as an alternative dispute resolution mechanism for resolving business disputes. Business people have reported difficulties resolving business disputes through the Ugandan court system as a significant constraint to doing business in Uganda. Private arbitration is already occurring on a limited basis in Uganda through a fledgling mechanism developed by the UNCCI. Uganda does have an arbitration law that allows virtually any type of dispute to be arbitrated and is considered adequate by most Ugandan attorneys. In the limited number of cases to date, the GOU courts have recognized decisions by arbitration as legitimate and the police have enforced these decisions.

The second targeted intervention will be to establish a credit reference bureau in coordination with the Uganda Bankers' Association. PRESTO would provide short term technical assistance to design a tailor-made Ugandan bureau which would collect data on borrowers from lenders (bank and non-bank). This data could be purchased from the bureau by any institution with the authorization of the business or entrepreneur seeking credit. The bureau should be able to charge for its information immediately and thus should achieve financial self-sustainability very quickly.

3. USAID Support and Institutional Relationships

The BAI will have one long-term specialist in the development and management of business associations. The Business Association Advisor shall initially be located in the PRESTO Project field office but may be transferred to the office of one or more participating business associations during his/her two year assignment. In addition to this one long term position, 15 person-months of expatriate short term technical assistance will be available (average of four person-months per year for four years). Long and short-term technical advisors will be expected to carry out most of the required training through on-the-job training and by organizing and facilitating workshops and seminars. Therefore, technical advisors should have strong training skills.

In-country training will be offered to the two lead BAs and for industry specific BAs. In-country training will include conferences, seminars, workshops, and on-the-job coaching. In addition to in-country training, association leaders will benefit from seeing well-run associations first hand and from interacting with managers of effective BAs. Therefore, short-term training to the U.S. and third countries (preferably other African countries) will be provided for up to 6 participants per year for three years. This will include short internships, attendance at relevant international conferences (such as the International Chamber of Commerce's annual conference) and study tours.

Selected BAs (and professional associations) will be eligible for small amounts of office equipment such as computers/printers/UPS, a medium sized photocopier, basic office furniture (desks, chairs, and filing cabinets), a panafax machine and a small four wheel drive vehicle. Direct operating support may be necessary on a declining basis in order for a selected BA to achieve the objectives in its strategic plan. Therefore, up to $60,000 per year will be available for this purpose. Funds would be provided on a grant basis to the selected organization(s). In order to receive such a grant the selected BA would have to satisfy USAID's requirements for financial systems and accountability.

III. DEFINITION OF SUCCESS

A. Intended Results and EOPS Indicators

The PRESTO project's impact should range from the household level to the macro-economic level and will be measured along that continuum. At the goal level, progress towards sustainable, equitable economic growth on a competitive, diversified basis will be measured by growth of per capita Gross Domestic Product (GDP) and an increase in the private sector share of Gross Domestic Expenditure (GDE). Data will be provided by Government of Uganda reports and verified anecdotally through periodic household level and national surveys. Attainment of the project purpose of increasing employment and productivity in micro-, small and medium enterprises will be measured by:

- an increase in labor time devoted to MSMEs by household members; and
- an increase in household expenditure in households involved in MSMEs.

The assumption behind the latter indicator is that greater productivity will result in increased household income and will be reflected in increased household expenditures. Outputs and verifiable indicators of success for each component are described below.

1. Microenterprise Interventions

The two outputs of the microenterprise interventions will be:

1) financial institutions and NGOs providing financial services to MSEs on a sustainable basis; and

2) MSEs in selected sub-sectors using new technology, skills and/or information to reach higher value markets.

There will be a number of specific targets for financial services. The first will be a functioning Center for Microenterprise Finance which is providing state-of-the-art information to ME financial services providers. A second expected result is that at least five NGOs and/or commercial banks will establish or expand ME financial services. More discrete measures will include: 150,000 new savers; 45,000 new borrowers, 60% of whom will be women; 100 village banks established; and 20 bank units established, 80% of which will be sustainable.

Measures of the success of non-financial MSE interventions will be: at least 4 NGOs and/or firms providing technology, skills or information to MSEs; and the number of firms that are able to sell their products to higher value markets as a result of project interventions.

2. Policy and Regulatory Facilitation

An improved legal, policy, and regulatory environment should result in a higher level of investment, improve efficiency, and generate more jobs and exports. But because investment flows can be significantly affected by external factors, it is recommended that the project performance be judged on other grounds. There are two outputs for this component:

1) Legal policy and regulatory constraints to MSME growth are alleviated; and

2) The UIA is providing better investor facilitation services.

Indicators for the first of these outputs are:

- reduction in time needed to register a company;
- acceleration and simplification of import/export procedures;
- establishment of a tax appeals process;
- establishment of a working duty drawback/exemption scheme for exporters;
- modification and updating of laws relating to commercial transactions.

Because assistance to the UIA is focused on facilitative efforts, the monitoring of the project should be done with indicators that are directly related to successful facilitation. These are:

- Reducing the average length of time firms require to become operational (that is, obtaining land, doing construction, hook-up of utilities, and receiving all necessary permits). At the present time, this delay can be many months or even years.

- Increasing realization rates of investment. Realization rates refer to the percentage of approved projects that become operational. The UIA estimates its realization rate at 38 percent and will try to increase the rate to 60 percent over the life of the project.

The success of facilitation efforts of the UIA will be observable through periodic customer survey responses.

3. Business Association Initiative

Business associations are an essential element of free market societies that contribute to democracy and good governance. They offer a vehicle that can reach hundreds or even thousands of MSE owners with needed information and guidance on how to tackle constraints to establishing and operating their businesses. Directed assistance to associations can lower the per firm costs of accessing services and technology and give MSEs a voice that can be heard by government. By strengthening BAs and encouraging them to charge for their services, both the quality of services offered and the demand for them should rise.

The output for the BAI is:

UMA and UNCCI represent the interests of members, particularly small scale and women entrepreneurs, and provide fee-based services.

Achievement of this output will be measured by an increase in the number and type of fee-based services offered, an increase in the number of small scale and female fee-paying members, the number of disputes resolved through the UNCCI's arbitration service and the number of requests for credit references processed by the Uganda Bankers' Association's credit reference bureau.

B. Monitoring and Evaluation Plan

1. Introduction

The PRESTO Monitoring and Evaluation Plan consists of a set of interrelated activities that will enable USAID/Uganda, USAID/Washington, the Government of Uganda and agencies implementing the project to determine progress towards achievement of the Project Purpose: increased employment and productivity in micro, small and medium enterprises.

The Monitoring and Evaluation Plan focuses primarily on the microenterprise component of PRESTO. The performance and impact of microenterprise interventions will be assessed firstly by the implementing agencies through their management information systems (MIS); secondly, through the implementation of base-line and follow-up surveys that will collect impact data; and thirdly, through mid-term and final evaluations that will use a range of indicators to assess the relevance, sustainability and impact of PRESTO's interventions. The project budget includes $0.9 million for M&E activities.

The interventions that support business associations and the policy and regulatory environment should have an important effect on the enabling environment for private enterprise in Uganda. However, because the effects of these interventions cannot easily be separated from external influences, including changes in the global and regional economy, or from the interventions of other donors, it will not be possible to directly measure the impact of these components. Therefore, evaluation will focus on the effectiveness, efficiency and sustainability of the assisted institutions, and the relevance of the selected interventions for the micro, small and medium enterprises who are the targeted beneficiaries of the PRESTO project.

2. Monitoring

Monitoring can be defined as a continuous assessment providing information that:

- shows that the inputs are being translated into the desired outputs
- assists project managers to assess the relevance of the assumptions that were made during the project design stage
- enables project managers to make revisions, as necessary, that increase the likelihood that the project's outputs will lead to achievement of the project's goal and purpose

The primary level of monitoring within PRESTO will be the MIS of implementing institutions. Each institution receiving funding will be required to monitor the relevant outputs listed in the Logical Framework (Annex A), as well as a set of effectiveness and sustainability indicators. These include the following:

Financial Institutions:

Sustainability and Financial Strength Indicators:
- Efficiency
- Capital adequacy
- Profitability
- Asset quality
- Liquidity
- Loan portfolio quality

Outreach Indicators:
- Gender of savers and borrowers
- Marital status of savers and borrowers
- Location of savers and borrowers
- Other savings and loan facilities
- Use of loan
- Total number of savers
- Total value of savings
- Type of savings: Forced or Voluntary
- Average value of savings
- Total number of borrowers
- No. of repeat borrowers
- Total value of loans
- Average value of loans
- Annual growth in savings
- Annual growth in loans

Service Quality Indicators:
- Loan terms

NGOs/Firms Providing Non-Financial Services:

Effectiveness Indicators:
- Number of enterprises receiving services
- Number of enterprises selling higher-value products

Sustainability Indicators:
Ability of the implementing organization to cover its costs

Uganda Investment Authority:

Effectiveness Indicators:
Average length of time for firms to become operational
Realization rates

Business Associations

Effectiveness Indicators:
Number of female members
Number of small scale members
Types of services offered

Sustainability Indicators
Ability of the BA to cover its costs

The Institutional Contractor will also provide quarterly monitoring reports on each of the project components.

3. Evaluation

Evaluation is defined as the periodic assessment of the *relevance, effectiveness, efficiency, impact and sustainability* of a project in the context of its stated objectives. Evaluations of PRESTO will be conducted at the project mid-term (Year 3) and project completion (Year 5). The mid-term evaluation will assess project performance and determine whether or not the strategy articulated in the PP to achieve the project purpose was appropriate. Following this analysis, it will suggest mid-course corrections. The mid-term evaluation team will also assess impact using interviews and focus group discussions with beneficiaries. The mid-term evaluation team will have access to the findings from the base-line survey. However, a survey will not be conducted as part of the mid-term evaluation.

Surveys will be conducted in Years 1 and 5 of the project. They will collect information that will help the final evaluation team to determine the impact of the microenterprise finance and non-financial assistance interventions. The survey methodology will be designed by a short-term contractor at the project inception. This contractor will also supervise implementation and data analysis by a local consulting company. The follow-up survey will be conducted in Year 5, using the same indicators as the base-line survey.

The impact indicators to be assessed in the surveys include:

Household level:
Labor time of all HH members
Household expenditure
Amount of net income flowing to the household from all IGAs
Number/diversity of income sources
Amount of savings

Expenditure on children's education

Firm level:
Sales
Enterprise assets
Labor time of employees
Range or type of outputs
Diversity of markets
Stability of income

Qualitative techniques, including interviews, focus group discussions and participatory rapid appraisal (PRA), will supplement the survey findings on people-level impact and provide insight into the reasons for the changes. Qualitative techniques will also be used to evaluate the effectiveness and relevance of the project interventions.

Sustainability will be assessed using the indicators that form part of the participating institutions' MIS. As these institutions are not expected to achieve operational sustainability until the latter part of the PRESTO project, it would be advisable to schedule the final evaluation as close to the project completion date as possible.

IV. ANALYSIS OF FEASIBILITY, KEY ASSUMPTIONS AND RELATED RISKS

A. Summary of Analyses

1. Economic

USAID's project design guidance calls for an examination of the benefits and costs of projects, with an eye to determining whether proposed projects meet some minimal standard of acceptability. The standard approach is to compare costs of a project with reasonably postulated benefits by discounting the streams of each over time. Benefits are defined in a special manner, such that "true" economic prices (or prices that reflect scarcity values) must be used and only those benefits assessed that are directly linked to the project's interventons. This approach is theoretically sound, but is frequently difficult to carry out in the standard manner. This divergence between theory and practice occurs in this project, but there is a second-best approach outlined below.

The interventions under this project are basically of two types. **First**, specific assistance will be provided to improve the chances of success of non-farm business establishments. This assistance will take two forms: technical assistance and financial assistance. Technical assistance will be provided to MSMEs -- through business associations where possible -- to improve management, labor, and technological skills. Technical assistance to microenterprises will also be provided through competitively selected NGOs, with a special emphasis on supporting women-owned enterprises. Financial assistance will be provided to MEs only, through NGOs and financial institutions. **Second**, the project will provide Uganda with assistance to enhance the policy and regulatory environment facing MSMEs. USAID will work with both the public and private sectors to convert what is currently a very complex, difficult environment into one that better serves the private sector-focused development objectives of Uganda.

The specific beneficiary group of the project is MSME entrepreneurs and employees, although larger establishments may also gain from the interventions in the enabling environment. Two types of benefits are examined. First, incremental employment will occur as more economic activity arises in the labor-intensive MSME sector. Second, improved efficiency throughout the MSME sector -- through cost reductions associated with a less complex and intrusive regulatory framework -- will permit an increase in returns per unit of labor in all enterprises, existing and new. The latter can at least theoretically be conceived of as a one-time increase in real returns to labor.

The nature of the project is such that precise quantification of benefits is impossible at this stage, for several reasons. First, the demand-driven nature of the proposed private sector interventions does not permit us to know how many firms will ultimately receive what level of assistance, either technical or financial. Second, the value of this assistance in terms of incremental employment and increased efficiency is difficult to ascertain in advance. Third, the value of the removal of policy impediments -- in terms of improved efficiency and reduced operating costs -- cannot be foreseen. By contrast with this **ex ante** situation, with close monitoring we will be able to tell how many firms were served, how they grew, and what happened to productivity across all MSME firms by the end of the project. However, even at that stage we will not know the counterfactual, or what would have happened to these indicators in the absence of the project.

There is one theoretically satisfying means to get around the apparent quandary facing the benefit-cost analysis. At this design stage we know the putative costs ($20 million plus any host country contribution). If we construct a model based on the current size of the labor force and on current labor productivity values, we can iteratively calculate what level of benefits must accrue to the project over time to warrant the costs. If the necessary incremental improvements to the indicators (i.e., incremental to what might have occurred in the absence of the project) is implausibly high, the validity of the project is questionable. If the required improvements seem reasonable, the project should continue.[5]

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5 A brief example may help. If the change in employment required to justify the project implies annual employment growth rates of fifteen percentage points more than the normal level, combined with an increase in productivity (or a decrease in costs) of fifteen percent, we would question the utility of the project. Such increases, incremental to what would have happened without the project, seem very high. On the other hand, if the required increases are on the order of one percentage point, one would tend to be more comfortable about the project's viability, from a benefit-cost standpoint.

This approach is employed below, in a discussion based on the table which follows. USAID's interest in the new generation of private sector support projects like this one argues strongly for continuing to examine the assumptions in the benefit-cost analysis throughout the term of the project. The validity of the analysis and its assumptions can be verified through the proposed designed monitoring process that takes stock regularly throughout the project's life. It is inevitable in the implementation of this type of project that USAID will gain a much better understanding of the target sector as the project unfolds. This understanding should be consciously incorporated into a careful monitoring and evaluation effort, both to inform project implementation and to assist in other designs.

The "table of variable inputs" element of Table 1 (below) shows (1) the employment base, (2) the projected percent change in employment in the absence of the project, (3) the projected change in employment assuming the project is successful, (4) the average wage, (5) the projected change in the average wage in the absence of the project, (6) the projected change in the average wage assuming the project is successful, (7) the shilling-dollar exchange rate, and (8) the discount rate (or opportunity cost of capital) used in the analysis. Any or all of these assumptions may be modified to carry out sensitivity testing.

The "table of outputs" shows the results of the analysis, in two forms, for a 15-year time horizon. The internal rate of return is the calculated discount rate required to make the stream of discounted benefits just cover the stream of discounted costs. The benefit/cost ratio shows the relationship between the stream of discounted benefits and costs, assuming the discount rate in the inputs table.

As the outputs of the analysis show, there is a strong measure of comfort regarding implementation of the proposed project. At a relatively conservative discount rate (15 percent), the benefit/cost ratio is near 1.5, with what we believe to be fairly conservative assumptions about the effects of the project on employment and productivity. As a result of the project, employment would have to increase at a rate of only 7.6 percent per year, compared with the historic (and presumed counterfactual) level of 7.5 percent, to amply justify the project costs. In other words, from the standpoint of increasing the rate of employment, the project need only be responsible for one-tenth of a percentage point of increased employment. We have also assumed that productivity (or the average wage) would increase (in real terms) by only one-tenth of one percent, as a result of project interventions. As noted above, both these assumptions appear to be very conservative, increasing our confidence that the Mission should implement the project.

According to the analysis, the projected increases in employment attributable to the project, fifteen years after the project's inception, are on the order of 50,000. Although this figure may appear daunting, this order of magnitude actually implies only 1.5

Table 1: Benefit-Cost Analysis for PRESTO

TABLE OF VARIABLE INPUTS

Employ't Base (persons)	Employ't Change Without Project (pct)	Employ't Change With Project (pct)	Wage Base (USh '000)	Wage Change Without Project (pct)	Wage Change With Project (pct)
1006917	7.5	7.6	235	0.0	0.1

Exchange Rate: 1000 Shillings/Dollar
Discount Rate: 15 percent

TABLE OF OUTPUTS

Internal Rate of Return	24.7%
Benefit/Cost Ratio	1.44

(US$ '000; persons)	1995	1996	1997	1998	1999	2000	....	2010
A. Project Costs	3128	5647	5548	3319	2253			
1. A.I.D.	3128	5647	5548	3319	2253			
2. Local								
B. Net Project Benefits	-2892	-4865	-4139	-1192	692	3875	....	15085
1. Net Change From Project	236	782	1409	2127	2945	3875	....	15085
Employment Related	236	508	820	1176	1581	2041		11269
Employment	1007	2166	3494	5011	6736	8694		48004
Wage Related	0	274	589	951	1364	1834		3816
2. With Project Case	508694	547629	589543	634665	683241	735534	....	1530119
Employment Related	254347	273677	294477	316857	340938	366850		763152
Employment	1083443	1165784	1254384	1349717	1452296	1562670		3250798
Wage Related	254347	273951	295066	317808	342302	368684		766967
3. Without Project Case	508458	546847	588134	632538	680295	731658	....	1515034
Employment Related	254111	273169	293657	315681	339357	364809		751882
Employment	1082436	1163618	1250890	1344707	1445560	1553977		3202795
Wage Related	254347	273677	294477	316857	340938	366850		763152
C. Discounted Net Benefits	-2892	-4135	-2990	-732	361	1719	....	1318
1. Discounted Costs	3128	4800	4008	2038	1176	0	....	0
2. Discounted Benefits	236	665	1018	1306	1537	1719	....	1318

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NOTES:

The calculations of the outputs from the economic viability analysis occurs in sections A through C in the lower part of Table 1, with all value figures expressed in thousands of U.S. dollars:

- Section A contains project costs, including both A.I.D. funds and other costs.
- Section B is the heart of the calculation, defines the net project benefits (by subtracting entries in line A. of the table from those in line B.1.), and is explained in greater detail (for those interested in such) below.
- Section C discounts the current-priced costs and benefits for use in calculating the benefit/cost ratio.

Section B of the table contains three subsections:

- Subsection 1 is calculated simply by subtracting the corresponding entries in subsection 3 (the "without project case") from those in subsection 2 (the "with project case").
- Subsection 2 calculates levels of gross benefits from (a) employment-related changes and (b) average wage changes, in the "with project case", based on data in the "table of variable inputs" at the upper part of Table 1. With respect to the "employment" line item, the "employment change with project" percent figure is applied to the "employment base" (both in the "table of variable inputs") to calculate the number of persons in MSME activities in a given year. This number of participants is then multiplied by the average wage (the "wage base" in the "table of variable inputs") and converted to a figure (the "employment related" line item) expressed in thousands of dollars (by applying the "exchange rate" in the "table of variable inputs"). The line entitled "wage related" is a proxy for an assumed change in productivity under the project. This line is calculated by applying the "wage change with project" figure (in the "table of variable inputs") to the "employment related" figure for the same year in this subsection of the table. It is assumed that there is no change in productivity in the first year (1995), with an incremental change in each of the five successive years, in each case by the amount in the "table of variable inputs" (i.e., the "wage change with project" figure).
- Subsection 3 similarly calculates how (a) employment changes and (b) the average wage changes, but in the "without project case", again based on data in the "table of variable inputs" at the upper part of Table 1. The only difference in parallelism between this subsection and subsection 2 calculations is with respect to the "wage related" line item. In this case, to relevant wage bill figure used is that in the "employment related" line item in subsection 2, not the one in subsection 3.

percent more jobs than there would likely be in the absence of the project. This increment to the ranks of the employed will result not only from the credit and technical assistance provided through the proposed project, but equally importantly from the sustained improvements in the policy and regulatory framework facing smaller scale Ugandan entrepreneurs.

As we have also noted earlier in this discussion, the economic viability analysis is embryonic and crude at this stage. We expect to be in a much better position to refine the analysis based on new information, part of which will come from the microenterprise survey just completed. When we refine this analysis, the monitoring and evaluation process during project implementation should be able to verify the assumptions relatively easily over time, hopefully corroborating the results of the analysis.

2. Social

The beneficiaries of the PRESTO project will be women and men who own or work in micro, small and medium enterprises (MSMEs). The majority of microentrepreneurs and workers in small and medium enterprises are poor. In 1992, Uganda ranked 5th lowest in Africa in GDP per capita ($170), and in 1989, 55% of the population spent less than $110 per capita per year. While GDP per capita has been growing at approximately 2.3% per year, Uganda's population remains very poor. 80 percent of micro- and small enterprises are in rural areas (85% of Uganda's population is rural) and the majority of medium enterprises are located in cities and towns. The limited presence of small and medium enterprises in rural areas is a function of the lack of physical infrastructure (especially electricity) and lack of a concentrated market.

Project interventions will result in the beneficiaries receiving higher returns for the time they invest in their enterprises. This will increase household incomes and/or allow the beneficiaries (especially women) to spend more time on other tasks. While some analysts have expressed concern that increased women's involvement in microenterprise could impact negatively on the welfare of their families by taking time away from activities such as child care and food preparation, GEMINI Project studies in Zimbabwe and Kenya indicate that mothers' income from microenterprise is generally used to increase expenditures on food and school fees, which have a beneficial effect on children's welfare. Anecdotal evidence in Uganda confirms this observation.

38 percent of microenterprises in Uganda are owned by women. The project will pay special attention to the needs of and constraints faced by women entrepreneurs. As in many other countries, women have a more difficult time than men obtaining credit from the banking system due to small loan sizes, which are costly for banks to administer, and collateral requirements. The village banking models to be promoted by the CMF have disproportionately benefited women in other countries where they have been adopted. The CMF will be charged with identifying strategies to help it's clients reach women entrepreneurs, and a target of at least 60% women

beneficiaries is established for this activity. One way of achieving this is through group-based microenterprise lending programs that cater for women's needs by means such as substituting group solidarity and character references for collateral, making very small loans and increasing loan size following repayment of a previous loan, providing training in the management of credit and arranging locations and hours of operation that are compatible with women's businesses and domestic obligations.

A key objective of the BAI is to increase business associations' ability to serve women members. The BAI will identify specific needs of women entrepreneurs and incorporate those in the development plans for the associations. It is anticipated that business associations will have significantly increased their female membership by the end of the project.

The microenterprise component will make special efforts to reach households with orphans, demobilized soldiers and retrenched civil servants. Through demobilization and civil service reform, over 200,000 people have lost their jobs and many of them are turning to microenterprise as a means of support. The welfare of these groups, particularly demobilized soldiers, is important to the long-term stability of Ugandan society. Soldiers released from duty receive cash and in-kind payments that are intended to help them get re-established in civilian life. Despite this assistance, many of the 45,000 veterans have experienced difficulty leaving the sheltered world of the armed forces, which catered for all their needs. Many, especially those who joined as teen-agers, lack the skills needed to find wage employment or to commence self-employment.

Uganda has many orphans as a result of political turmoil, civil war and AIDS. Most orphans have been integrated into large extended families. The greatest burden of orphan care, as well as other child care, falls on women. Many of the women interviewed during the project design exercise said that the resources that they need to cope with these additional financial burdens was one of the principal motivations for taking loans to start up income generating activities. Most spend at least part of this income on school fees.

The northern part of Uganda is less developed and receives less assistance than the balance of the country. This is due in some measure to continuing insecurity in the region. To the extent feasible, the project will give preference to viable proposals for micro-finance programs and other non-financial interventions in the north.

The increased participation of indigenous Ugandans in private enterprise resulting from this project is important for Uganda's long-term development. Although the return of many Ugandan Asian businesspeople has brought welcome new investment, it also has the potential to inflame old jealousies and resentment on the part of indigenous Ugandans. Increasing indigenous Ugandan participation in the benefits of private enterprise will mitigate these feelings.

There is also a perception that foreign investors are treated better than domestic investors because the former have high-level political access and more resources. While it is difficult to judge the extent to which this perception is correct, there is no doubt that small firms have less resources to deal with government bureaucracy. PRESTO's emphasis on improving transparency and efficiency in the public sector functions that affect business operations will help to "level the playing field" for Ugandan entrepreneurs. The UIA's investor facilitation service also has and will continue to assist predominantly domestic investors.

USAID has not identified any negative socio-cultural impacts that can be anticipated as a result of project interventions.

3. Environmental Concerns

An Initial Environmental Examination (IEE) was approved by the Africa Bureau Environmental Officer on January 5, 1995. The IEE granted a categorical exclusion for PRESTO's technical assistance and training activities and a negative determination for microenterprise credit. The IEE requires USAID and the GOU to identify mechanisms to ensure that microenterprise credit does not result in activities that have a significant negative impact on the environment.

Through the STIG program, PRESTO will provide technology and training to firms operating in selected productive sub-sectors. Some of these sub-sectors such as wood working, metal working and agricultural processing may utilize inputs or involve processes with potentially negative environmental impacts. In addition, PRESTO will assist banks and NGOs to develop or strengthen financial services, including credit, for microenterprises. According to U.S. regulations, USAID is responsible for ensuring that project funds are not used for activities that are harmful to the environment. USAID will therefore undertake the following activities to identify and address potential negative environmental impacts resulting from project interventions.

Because the most likely source of environmental damage is from productive enterprises (as opposed to services and trading), USAID will focus its efforts on these. Based on the microenterprise survey, USAID will identify the predominant types of productive enterprises and select from these the ones that are likely to be harmful to the environment. These sub-sectors will then become the focus of an environmental review that will answer questions such as:

- what inputs are used and what are their sources?
- what is the production process?
- what types of wastes are generated and how are they disposed of?

For sub-sectors that are studied as part of the microenterprise component, these questions can be incorporated into the overall sub-sector analysis. For other sub-sectors, a local short term consultant can be engaged to undertake the environmental review. The consultant should also identify means of mitigating any negative environmental consequences of the productive activities. These reviews will provide sufficient information for USAID and the implementing organizations to be cognizant of potential environmental impacts and advise clients in these sub-sectors of what they can do to mitigate the impact. The project will sponsor a workshop for implementing organizations to present the results of the environmental reviews and discuss the implementing organizations' responsibilities in ensuring that activities sponsored by PRESTO do not damage the environment.

B. Assumptions, Risks and Risk Management

The PRESTO project includes a rigorous monitoring and evaluation plan and provides adequate resources for intensive USAID project management. The monitoring system will provide a continuous flow of information that can be used by the institutional contractor and USAID project managers to assess whether the project strategy is working. Poor performance will result in re-assessment and corrections to the strategy.

Key assumptions relating to the entire project include:

- political stability is maintained at a level sufficient to attract investment;
- macroeconomic policy (including inflation and exchange rates) remains relatively stable;
- the GOU remains committed to a liberalized economy that is open to foreign investment.

1. Microenterprise Interventions

Microenterprise is a new programmatic area for USAID/Uganda but the proposed design relies heavily on a significant body of USAID experience in other countries. This is particularly true of the financial assistance component. The non-financial assistance activities are more experimental; there are no well-established models for cost-effective delivery of non-financial services to microentrepreneurs.

The project's emphasis on the village banking model is premised on the assumption that substantial savings can be mobilized if people have ready access to savings services. People are currently willing to pay for savings services, suggesting that there is significant unmet demand for such services. The model also assumes that financial institutions will recycle deposits into rural, small-scale lending. The MISs of each implementing organization will provide data that will indicate whether or not these assumptions are being borne out. In addition, grants will be incrementally funded, allowing funding to be curtailed if a particular organization is not meeting its objectives or diverging from its stated program.

2. Policy and Regulatory Facilitation

The key assumptions for this component include:

- the UIA continues to enjoy a high level of autonomy, an active Board of Directors, and remains outside civil service payscales;
- the ratio between UIA staffing levels and investment flows into Uganda remains stable;
- GOU officials remain committed to updating and simplifying the legal and regulatory environment;

There is a risk that some public sector employees may resist efforts to streamline regulatory procedures because many of them currently derive income from soliciting bribes to speed up these processes. The practice is well-entrenched and it could be very difficult to change public sector employees' attitudes. Furthermore, most public sector employees do not view their jobs in terms of providing efficient service to their "customer" - the business person in this case. This is an issue of organizational culture which will take time and leadership at the highest levels of government to overcome.

3. Business Association Initiative

The most important assumption underlying the BAI is that members of business associations will be willing to pay for services offered by the associations. There is presumably a positive relationship between willingness to pay and the quality of the service offered. If this is not the case, then business associations cannot become self-supporting. This is an issue that will be explored and verified by the technical advisor for this component.

The proposal to strengthen UNCCI's arbitration service assumes that the courts continue to recognize decisions made by private arbitrators and that the police properly enforce arbitrators' decisions.

V. FINANCIAL PLAN

A. Resource Requirements

PRESTO will require $20 million in Development Fund for Africa (DFA) and Development Assistance (DA) resources over five years. A summary budget is presented below and a detailed budget is contained in Annex B. It is anticipated that $1 million in year 1 and $1 million in year 2 will come from the G Bureau's PRIME fund. The balance of the funds will come from USAID/Uganda's OYB. An inital obligation of $3.8 million is planned in FY 95.

USAID/Uganda requested and received a waiver of the requirement in Section 110 of the FAA that the host country provide a contribution of at least 25% of the total project cost (see Annex C). The GOU will not, therefore, be required to provide financing for the project. The GOU is, however, committed to providing partial funding for the UIA. Since this funding will support the objectives of PRESTO, a covenant to this effect will be included in the Project Grant Agreement.

SUMMARY BUDGET

Budget Element	Total (U.S. Dollars)
Technical Assistance[6]	10,419,000
Training	366,000
Commodities	374,000
Grants	8,040,000
Project Management	285,000
Monitoring & Evaluation	516,000
	20,000,000

B. Expected Obligation Actions

Project funds will be obligated by signing a Project Grant Agreement (ProAg) with the GOU. The Ministry of Finance and Economic Planning is the authorized signatory for the ProAg and will also sign implementation actions (PILs, PIOs) on behalf of the GOU.
The estimated obligation schedule (in $000) is as follows:

FY 95	FY 96	FY 97	FY 98	FY 99
3,800	5,600	4,400	4,000	2,200

C. Recurrent Cost Implications

The Center for Microenterprise Finance, the "home" for the microenterprise component, will exist only during the life of the project and is therefore not expected to become self-sustaining. The assistance that the CMF provides to microenterprise finance institutions will, however, include efforts to improve the sustainability of these programs. While it is probably unrealistic to expect these programs to be 100 percent sustainable by the end of the project, they should be able to recover at least 80% of their costs by that time. It is anticipated that the STIG program

6 This includes long-term and short-term technical assistance, operational costs and overhead under the institutional contract.

will assist organizations to provide non-financial services on a self-sustaining basis during the life of the project because clients will be willing to pay for the services.

In addition, PRESTO will provide various types of assistance to existing organizations, namely the UIA, UMA and UNCCI. The project will finance approximately 40% of the UIA's annual operating costs. The GOU has been increasing it's level of support to the UIA (it will provide 40% of the operating budget in FY 95/96) and it is anticipated that this trend will continue over the next five years. One objective of the assistance to business associations will be to identify ways in which they can become sustainable. The UMA and UNCCI may receive small grants for operating expenses from the project, but these would be to help the organizations launch new services that should help increase association's sustainability.

D. USAID Management Costs

PRESTO will be managed by USAID/Uganda's General Development Office (GDO). Within that office, principal responsibility for the project will be with the Private Sector Officer, who will spend about 85% of his/her time managing the project. This individual will be assisted by an FSN Private Sector Advisor and an FSN Project Assistant. The salaries and other costs of the FSNs are included in the project budget and amount to $285,000 over 5 years. The GDO Office Chief will devote approximately 10% of his/her time to oversight of PRESTO.

Other USAID offices will also be involved in various aspects of project implementation. The following are estimates of the amount of time each office will devote to PRESTO-related activities on an average annual basis: EXO - 4%; CONT - 4%; PPD - 8%; Director's Office (including economics staff) - 3%). While it is very difficult to translate these percentages into costs, they do illustrate the level of effort necessary for the mission to support a major project activity such as PRESTO. In addition, the services of the Regional Contracts Office in REDSO/Nairobi will be required for awarding and modifying the institutional contract. It is estimated that PRESTO will comprise 18% of the RCO's Uganda workload in the first year and 9% in all other years.

The Microenterprise Development Office (G/EG/MD) in the Global Bureau in USAID/W will be a partner in overseeing implementation of the PRESTO project and sharing lessons learned from this and other microenterprise activities. In particular, MD staff are expected to assist in project monitoring and evaluation efforts. This office also manages the PRIME fund and will participate in periodic reviews of progress should the Cooperative Bank grant receive financing from PRIME.

VI. MANAGEMENT PROCEDURES

The General Development Office in USAID/Uganda will be responsible for managing the PRESTO project. Continuous monitoring of project activities, financial reports, evaluations and audits will all provide information that can be used to manage the project. The monitoring and evaluation plans are described in Section III. Procurement arrangements and mechanisms to ensure financial accountability are discussed below.

A. Procurement Plan

The following procurement actions are envisioned:

1. An <u>institutional contract</u> for long-term and short-term technical assistance for the Center for Microenterprise Finance, Uganda Investment Authority, Ministry of Finance and Economic Planning and the business associations participating in the Business Association Initiative will be awarded to a U.S. firm following full and open competition. The contract will also include training and commodities.

USAID hopes to include funds for the FSGP, STIG and BAI grant programs (with the exception of the grant to the Cooperative Bank) under the institutional contract as well, but this will require approval of the Regional Contracts Officer and the Policy Division, Office of Procurement Policy. The rationale for including grants under the contract is to eliminate the work that would otherwise fall to the Mission and the RCO to award these grants. It is anticipated that a total of 10-16 grants will be issued under the various grant programs. The volume of USAID/Uganda's procurement actions is already high, and it would be prudent not to increase the burden if possible. USAID will approve the selection criteria and, for grants exceeding $10,000, the actual selection of grantees.

USAID will encourage disadvantaged businesses ("Gray Amendment" firms) to bid on the institutional contract and will also encourage other bidders to utilize Gray Amendment sub-contractors over and above the minimum 10% requirement. If possible, USAID will stipulate a substantially higher minimum level of participation by disadvantaged firms.

The Request for Proposals will be issued in November 1995 with contract award anticipated by April 1996.

2. USAID will award a <u>Cooperative Agreement</u> to the Cooperative Bank to provide start-up and operating costs and loan capital to establish agencies that will provide savings and lending services to microentrepreneurs. USAID will issue the Cooperative Agreement by September 30, 1995.

3. USAID will sign a <u>Project Implementation Letter (PIL)</u> with the GOU to provide a portion of the UIA's operating costs. The amount will be approximately the percentage of the UIA's budget associated

with the investor faciliation program. Because the UIA is a parastatal, it will receive funding through a PIL rather than a grant. The PIL will be issued in January 1996.

4. Personal Services Contracts will be negotiated with the FSN Private Sector Advisor and the FSN Project Management Assistant.

5. Some commodity procurement for items such as vehicles and residential furniture will be undertaken directly by USAID prior to the award of the institutional contract. PIO/Cs for these items will be issued by August 1995.

6. USAID will award contracts to local firms for the baseline survey and environmental assessments of productive sub-sectors.

B. Financial Accountability

USAID will use pre-award surveys and audits to ensure that project resources are prudently managed and accounted for. For any grants issued under the project, the USAID Controller's Office will conduct a pre-award survey to determine whether the grantee's accounting system meets USAID requirements. Where systems are inadequate, the project will assist the organization to improve it's systems. The presence of USAID-funded long term advisors at the Cooperative Bank, one intended recipient of project funds, will help ensure that project funds are properly managed and accounted for. The UIA, which has been receiving funding under the Agricultural Non-Traditional Export Promotion Project, has an acceptable accounting system.

All grants for amounts exceeding $25,000, except for those to U.S. PVOs, will include funds for audits. The Office of Procurement (M/OP) is responsible for reviewing annual audits of U.S. PVOs and U.S. contractors.

ANNEX A. Project Logical Framework: PRESTO (617-0134)

NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PROJECT GOAL: Promote sustainable, equitable economic growth on a competitive, diversified basis.	1. Growth of per capita GDP 2. Increase in private sector share of Gross Domestic Expenditure.	1. GOU/World Bank reports 2. GOU reports	
PROJECT PURPOSE: Increase employment and productivity in micro-, small and medium enterprises (MSMEs).	**EOPS:** 1. Increase in labor time devoted to MSMEs by household members. 2. Increase in household expenditure in households involved in MSMEs.	1. MSME baseline and follow-up surveys. 2. GOU Integrated Household Survey.	Macro-economic policy environment continues to be favourable. Political stability continues.

OUTPUTS:			
1. Financial institutions and NGOs providing financial services to MSEs on a sustainable basis.	1.a. Functioning ICEP providing state of the art information to ME financial service providers. b. At least 5 NGOs and/or banks establish/expand financial services. c. 150,000 new savers d. 45,000 new borrowers, 60% of whom will be women. e. 100 village banks f. 20 bank units established, 80% will be sustainable.	Project records, reports and surveys	Significant domestic savings are available to be mobilized.
2. MSEs in selected sub-sectors using improved technology skills and information to reach higher value markets.	2.a. At least 4 NGOs/firms provide technology, skills or information to MEs. b. No. of firms able to sell their products to higher value markets.		
3. Legal, policy and regulatory constraints to MSME growth are alleviated.	3.a. Establishment of a working duty drawback/ exemption scheme for exporters. b. Reduction in number of approvals for importing, exporting and investment. c. Reduction in time needed to register a company. d. Establishment of a tax appeals process.		High level GOU support for reducing bureaucratic constraints to private sector development will be sufficient to overcome reluctance or inertia at lower levels of government.

4. UMA and UNCCI represent interests of members, particularly small scale and women entrepreneurs, and provide fee-based services.	4.a. Increase in no. and type of fee-based services offered. b. Increase in no. of small scale and female fee-paying members. c. No. of disputes resolved through arbitration. d. No. of requests for credit references processed.		Members will be willing to pay for quality services. Courts continue to recognize decisions made by private arbitration and police enforce the decisions.
5. UIA providing better investor facilitation services.	5.a. % of domestic and foreign investments that become operational increases from 38% to 60%. b. Increase in no. of domestic investors receiving UIA assistance. c. Reduction in average length of time needed for firms to become operational.		The UIA continues to have a high level of autonomy and an active Board of Directors.

INPUTS:			
1. Technical Assistance	$10,419,000	Project records	Inputs delivered in a timely manner
2. Training	$366,000		
3. Commodities	$374,000		
4. Grants	$8,040,000		
5. Project Management	$285,000		
6. Monitoring and Evaluation	$516,000		

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ANNEX B

PRESTO PROJECT BUDGET: $20 MILLION

	YEAR 1 (6/95-6/96)		YEAR 2 (6/96-6/97)		YEAR 3 (6/97-6/98)		YEAR 4 (6/98-6/99)		YEAR 5 (6/99-6/00)		TOTAL	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
I.Technical Assistance												
a. Long-term Expatriate												
1. Chief of Party	142,950		216,474		227,297		238,662		250,595		1,075,979	0
2. ME Advisor	142,950		208,994		219,443		230,416		241,936		1,043,739	0
3. BAI Advisor	142,950		208,994		219,443		0		0		571,387	0
4. MOF Advisor	142,950		208,994		219,443		230,416		0		801,803	0
											0	0
b. Long-term Local											0	0
											0	0
1. M & E Coordinator	0			17,584		18,463		19,386		20,356	0	75,789
2. CMF Specialists (2)	0			35,168		36,926		38,773		40,711	0	151,578
3. Bookkeeper/Admin Asst. (2)	0			25,442		26,714		28,050		29,452	0	109,658
4. Secretaries (4)	0			35,856		37,649		39,531		41,508	0	154,544
5. Driver/Messengers (3)	0			24,309		25,524		26,801		28,141	0	104,775
											0	0
											0	0
c. Short-term TA											0	0
1. CMF External TA	60,000		60,000		60,000		60,000		60,000		300,000	0
2. CMF Local TA		30,000		30,000		30,000		10,000		10,000	0	110,000
3. Subsector External TA	0		80,000		80,000		0		0		160,000	0
4. Subsector Local TA		0		10,000		10,000		0		0	0	20,000
5. PORC External TA			240,000		120,000		60,000		60,000		480,000	0
6. PORC Local TA				20,000		10,000		10,000		10,000	0	50,000
7. BAI External TA	60,000		120,000		120,000						300,000	0
8. BAI Local TA		5,000		20,000		10,000		0		0	0	35,000
9. M & E External TA	60,000		20,000		20,000		20,000		20,000		140,000	0
10. M & E Local TA		5,000		5,000		5,000		5,000		5,000	0	25,000
											0	0
											0	0
II. Operational Costs											0	0
											0	0
a. IC - COP											0	0
1.. Office Rent/Services/Utilities		7,000		14,000		15,400		16,940		18,634	0	71,974
2. Communication/Postage		1,000		2,000		2,200		2,420		2,662	0	10,282
3. Insurance/Repairs/Maintenance		1,000		2,000		2,200		2,420		2,662	0	10,282
4. Office Supplies		500		1,000		1,100		1,210		1,331	0	5,141
5. Vehicle Fuel/Service/Maint,		1,000		2,000		2,200		2,420		2,662	0	10,282
6. Local Per Diem		500		500		550		605		666	0	2,821
											0	0
											0	0
b. CMF											0	0
1.. Office Rent/Services/Utilities		7,000		14,000		15,400		16,940		18,634	0	71,974
2. Communication/Postage		1,000		2,000		2,200		2,420		2,662	0	10,282
3. Insurance/Repairs/Maintenance		1,000		2,000		2,200		2,420		2,662	0	10,282
4. Office Supplies		500		1,000		1,100		1,210		1,331	0	5,141
5. Vehicle Fuel/Service/Maint,		1,000		2,000		2,200		2,420		2,662	0	10,282
6. Local Per Diem		500		1,000		1,100		1,210		1,331	0	5,141
7. Per diem CMF Advisory Board		0		500		550		605		666	0	2,321
											0	0
											0	0
c. PORC & BAI											0	0
1.. Office Rent/Services/Utilities		0		0		0		0		0	0	0
2. Communication/Postage		1,000		2,000		2,200		2,420		2,662	0	10,282
3. Insurance/Repairs/Maintenance		1,000		2,000		2,200		2,420		2,662	0	10,282
4. Office Supplies		500		1,000		1,100		1,210		1,331	0	5,141
5. Local Per Diem		250		500		500		500		500	0	2,250
											0	0
III. Contractor - Overhead											0	0
(@75%)											0	0
a. IC - COP	81,000	8,250	162,355	28,925	170,473	31,178	178,997	33,624	187,947	36,280	780,772	138,257
b. CMF	144,750	30,750	201,745	118,092	209,583	107,215	217,812	98,129	226,452	101,357	1,000,342	455,543
c. PORC	99,750	1,031	336,745	17,063	254,583	9,750	217,812	9,956	45,000	10,183	953,890	47,983
d. BAI	94,875	4,781	340,495	65,786	348,333	43,809					783,703	114,376
e. M & E	45,000	3,750	15,000	16,938	15,000	17,597	15,000	18,290	15,000	19,017	105,000	75,592

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PRESTO PROJECT BUDGET: $20 MILLION

	YEAR 1 (6/95-6/96)		YEAR 2 (6/96-6/97)		YEAR 3 (6/97-6/98)		YEAR 4 (6/98-6/99)		YEAR 5 (6/99-6/00)		TOTAL	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
											0	0
IV. Training											0	0
											0	0
a. CMF Seminars & Workshops				40,000		20,000		22,000		20,000	0	102,000
b. BAI U.S. Based Training			45,000		45,000		45,000		45,000		180,000	0
c. BAI Regional Based Training				6,000		6,000		8,000		6,000	0	24,000
d. BAI Seminars & Workshops				40,000		20,000					0	60,000
											0	0
											0	0
V. Commodities											0	0
											0	0
a. IC - COP											0	0
1. Vehicle (x 1)	35,000		0		0		0		0		35,000	0
2. Office Furniture (x 2)	40,000		0		0		0		0		40,000	0
3. Office Equipment (x 2)	33,000		0		0		0		0		33,000	0
											0	0
b. CMF											0	0
1. Vehicle (x 2)	60,000		0		0		0		0		60,000	0
2. Office Furniture (x 2)	40,000		0		0		0		0		40,000	0
3. Office Equipment (x 2)	33,000		0		0		0		0		33,000	0
											0	0
											0	0
c. PORC & BAI											0	0
1. Vehicle (x 2)	60,000										60,000	0
2. Office Furniture (x 2)	40,000										40,000	0
3. Office Equipment (x 2)	33,000										33,000	0
											0	0
VI. Grants											0	0
											0	0
a. CMF Financial Services Grants	0	1,000,000	0	2,000,000	0	2,000,000	0	1,000,000	0	0	0	6,000,000
b. Non-Financial Asst. Grants	0	0	0	75,000	0	75,000	0	75,000	0	75,000	0	300,000
c. UIA	0	300,000	0	400,000	0	400,000	0	200,000	0	200,000	0	1,500,000
d. BAI Grants	0	0	0	60,000	0	60,000	0	60,000	0	60,000	0	240,000
											0	0
VII. USAID Project Management Costs											0	0
1. FSN(s)		45,000		49,500		54,450		59,895		65,885	0	274,730
2. In-country Train.,Trav.,commod.		2,000		2,000		2,000		2,000		2,000	0	10,000
											0	0
											0	0
VIII.Monitoring & Evaluation											0	0
											0	0
a. Surveys in Year 1 & 5		100,000								130,000	0	230,000
b. Mid-term & Final Evaluation					120,000				140,000		260,000	0
c. Interviews.Focus Groups,PRA				6,000		6,500		6,500		7,000	0	26,000
											0	0
											0	0
TOTALS	1,591,175	1,560,313	2,464,797	3,198,162	2,448,599	3,118,177	1,514,114	1,828,725	1,291,931	983,608	9,310,615	10,688,984
YEAREND TOTALS	3,151,488		5,662,959		5,566,776		3,342,839		2,275,539		19,999,599	
										PRESTO TOTAL		19,999,599
IC - COP TOTALS	331,950	19,250	378,829	80,213	397,771	86,105	417,659	92,480	438,542	99,380	1,964,751	377,428
CMF TOTALS	480,700	1,071,750	470,739	2,350,548	489,026	2,325,169	508,227	1,303,968	528,389	311,499	2,477,061	7,362,934
PORC TOTALS	309,200	302,406	785,739	439,813	594,026	422,750	508,227	223,231	105,000	223,761	2,302,193	1,611,961
BAI TOTALS	364,325	11,156	794,489	213,500	812,776	162,221	45,000	79,158	45,000	79,954	2,061,590	545,989
M&E TOTALS	105,000	155,750	35,000	114,089	155,000	121,931	35,000	129,887	175,000	269,014	505,000	790,672
PRESTO TOTAL	1,591,175	1,560,313	2,464,797	3,198,162	2,448,599	3,118,177	1,514,114	1,828,725	1,291,931	983,608	9,310,615	10,688,984

IC - COP TOTALS	**2,342,179**
CMF TOTALS	**9,840,016**
PORC TOTALS	**3,914,153**
BAI TOTALS	**2,607,580**
M&E TOTALS	**1,295,672**
PRESTO TOTAL	**19,999,599**

APPENDIX TO BUDGET - STANDARD COSTS

EXPATRIATE COMPENSATION:		
(Base Salary)		
FS - 1	88,326 max p.a.	67,941 min p.a.
FS - 2	80,846 max p.a.	55,052 min p.a.
FS - 3	65,510 max p.a.	44,809 min p.a.
Overseas Differential (@25%)	22,082	
COLA Approx (@ 5%)	4,416	
EXPAT COMP. SUBTOTAL		114,824 FS - 1
		107,344 FS - 2
		92,008 FS - 3
EXPAT ALLOWANCES:		
Assignment to Post Costs *		
- UAB	1,600	
- HHE	12,800	
- POV	5,500	
- CONSUMABLES	4,400	
- AIRFARE:R&R/ROUNDTRIP (7000 PER TRIP)	14,000	
APC SUBTOTAL		38,300 YEAR 1
Other In-country Expenses *		
- Education Allowance	18,000 year 1	
- Education Allowance	15,000 year 2 - 5	
- Medical, Insurs., other	7,350	
- Pouch/Family Services/Comm.	3,300 per year	
OTHER ICE SUBTOTAL		28,650 YEAR 1
		25,650 YEAR 2 - 5
House Rental	25,000 per year	
Fix-up /Security Improv.	17,000 per year	
Guard Services	13,000 per year	
Utilities	4,000 per year	
Generator Fuel/Repair/Maint.	3,000 per year	
Residential Maint.	3,000 per year	
EXO CLS Costs	11,000 per year	
HOUSING SUBTOTAL		76,000 YEAR 1 - 5
ALLOWANCES SUBTOTAL		142,950 YEAR 1
		101,650 YEAR 2 - 5
TOTAL EXPAT COMPENSATION		257,774 FS - 1 YEAR 1
		250,294 FS - 2 YEAR 1
		234,958 FS - 3 YEAR 1
		216,474 FS - 1 YEAR 2 - 5
		208,994 FS - 2 YEAR 2 - 5
		193,658 FS - 3 YEAR 2 - 5

* Assumes 2 adults and 2 children

LOCAL COMPENSATION		
FSN - 12	18,979 max p.a.	15,324 min p.a.
FSN - 11	17,584 max p.a.	14,256 min p.a.
FSN - 10	13,595 max p.a.	10,585 min p.a.
FSN - 9	12,721 max p.a.	9,961 min p.a.
FSN - 8	10,230 max p.a.	7,718 min p.a.
FSN - 7	8,964 max p.a.	6,740 min p.a.
FSN - 6	8,103 max p.a.	6,089 min p.a.
FSN - 5	4,908 max p.a.	3,773 min p.a.
FSN - 4	4,300 max p.a.	3,353 min p.a.
FSN - 3	4,020 max p.a.	3,159 min p.a.
TRAVEL ESTIMATES:		
TDY - U.S.	3,200 per person	
TDY - Regional	1,200 per person	
TDY - Uganda (by car)	800 per person	
TDY - Uganda (by plane)	1,000 per person	
COMMODITIES ESTIMATES:		
Vehicle	25,000	
Computer/Software/Printer	5,000	
Photocopy Machine	10,000	
telephone/fax machine	1,500	
Office Furniture	20,000 per set	
Office Rent/Services/Utilities	14,000 per year	
Communication/Postage	2,000 per year	
Insurance/Repairs/Maintenance	2,000 per year	
Office Supplies	1,000 per year	
Vehicle Fuel, Repairs,Maint.	2,000 per year	

BUDGET NOTES

I. Technical Assistance

a. Long-term Expatriate

All expatriate salaries are tied to the Foreign Service pay scale. For a detailed list of the specific cost items refer to the appendix to the budget. In year 1 of the project the expenses constitute only the expatriate allowances which will be required to get the housing, travel, and other administrative issues prepared before the expatriate team arrives.

b. Long-term Local

All local salaries are tied to the Foreign Service National (FSN) pay scale. For a list of the FSN pay scale refer to the appendix to the budget.

c. Short-term TA

It is estimated that short-term external (expatriate) TA will cost on average $20,000 per month. All external TA is calculated on that basis.

It is estimated that short-term local TA will cost on average $2,000 per month. All local TA is calculated on that basis.

II. Operational Costs

The operational expenses for the project have been divided among 3 project components. The COP and the BAI advisor will have offices in the same location as the CMF. The long term advisor for MFEP will be located in the Ministry. Assumptions are in the appendix.

III. Contractor Overhead

Overhead for the institutional contractor is estimated at 75% of all direct costs, including grant funds that the contractor will be responsible for (i.e., grants for the UIA and microenterprise finance are excluded.)

IV. Training

V. Commodities

Commodity cost estimates are in the appendix.

VI. Grants

Grants will include sufficient funds for annual audits.

VII. USAID Project Management Costs

Assumes two positions at FSN 10 and 11 level.

VII. Monitoring & Evaluation

Assumes that local firms are contracted to do the fieldwork. The cost of external short term technical assistance in design and interpretation of the surveys is included under the technical assistance line item.

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ANNEX C

March 21, 1995

ACTION MEMORANDUM FOR THE DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/EA, Glenn Slocum Glenn Slocum

SUBJECT: Section 110 Waiver: Private Enterprise Support, Training and Organizational Development Project (617-0134)

Problem: USAID/Uganda requests your approval to waive the requirement of Section 110 of the Foreign Assistance Act of 1961, as amended, requiring a host-country contribution of at least 25% of project costs for the Private Enterprise Support, Training and Organizational Development (PRESTO) Project.

Background:

The PRESTO project budget is planned at a level of $25 million with an implementation period of five years. PRESTO will assist Ugandan micro, small and medium scale entrepreneurs to improve business productivity and increase household-level incomes. An initial obligation of $2 million is planned for FY 1995.

The goal of PRESTO is to promote sustainable, equitable economic growth on a competitive, diversified basis. The project purpose is to increase employment and productivity in MSMEs (micro, small and medium enterprises). Increasing private enterprise growth is necessary to accomplish the four strategic objectives of the Uganda Mission's program in agriculture, natural resources, education and health. This approach is consistent with Agency economic growth guidelines and complements other donor programs in the sector.

Project interventions will increase the number of jobs for women and men in micro, small and medium enterprises and raise average wage rates in these businesses. PRESTO will support targeted credit for microentrepreneurs, and at least 60% of beneficiaries will be women. It will also provide non-financial assistance in the form of entrepreneurship and credit training and support to

3. Nature of the Project: The PRESTO Project merits special consideration for a waiver of the counterpart requirement since the majority of activities will support micro and small businesses in the private sector. Many of these activities are inappropriate for direct GOU expenditure, particularly since the GOU has initiated a stabilization program to downsize the role of the central government in response to World Bank and IMF guidance.

4. Phased Contribution: Because of the nature of the project and Uganda's precarious financial position, a phased contribution is not contemplated. PRESTO anticipates GOU participation in certain elements of the project such as policy reform. The host country will make in-kind contributions to support those activities in the PRESTO Project in which it is a significant participant.

Authority: FAA Section 124 (d) authorizes, on a case-by-case basis, a waiver of the requirement of FAA Section 110 for a 25 percent host country cost-sharing contribution in the case of a program, project or activity in a relatively least developed country. USAID regulations implementing FAA Sections 110 and 124 (d) are set forth in USAID Handbook 3, Chapter 2, Appendix 2G. Delegation of Authority 403, Section 4 authorizes you to waive the FAA Section 110 requirement.

Recommendation: That you approve a waiver of the 25 percent cost-sharing requirement contained in Section 110 of the Foreign Assistance Act of 1961, as amended, placing no minimum cost-sharing requirement on the Private Enterprise Support, Training and Organizational Development Project.

Approved: Carol Peasley

Disapproved: ______________

Date: 23 March 1995

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. **Narcotics Certification**

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1994 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

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(1) has the President in the March 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 30 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?	(a) N/A (b) N/A
(2) with regard to a major illicit drug producing or drug-transit country for which the President has <u>not</u> certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.	N/A
2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?	No
3. **Seizure of U.S. Property** (Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, Sec. 527): If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without (during the period specified in subsection (c) of this section) either returning	No

the property, providing adequate and effective compensation for the property, or submitting the dispute to international arbitration? If the actions of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so?

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1995 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

No

5. **Mob Action** (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

No

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

No

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

(a) No

(b) N/A

8. **Loan Default** (FAA Sec. 620(q); FY 1994 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the

(a) No

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country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1995 Appropriations Act appropriates funds?	(b) No
9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	N/A
10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?	No
11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)	Uganda is in arrears in Payment of its U.N. Obligations but this was taken into consideration by the administrator at the time of approval of Agency OYB.
12. **International Terrorism**	
a. **Sanctuary and support** (FY 1995 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?	(a) No (b) No
b. **Airport Security** (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security	No

measures?

c. **Compliance with UN Sanctions** (FY 1995 Appropriations Act Sec. 538): Is assistance being provided to a country not in compliance with UN sanctions against Iraq, Serbia, or Montenegro and, if so, has the President made necessary determinations to allow assistance to be provided?	**No**
13. **Countries that Export Lethal Military Equipment** (FY 1995 Appropriations Act Sec. 563): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act?	**No**
14. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	**No**
15. **Nuclear Technology** (Arms Export Control Act Secs. 101.102): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E(d) permits a special waiver of Sec. 101 for Pakistan.)	No
16. **Algiers Meeting** (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)	**Uganda was not represented at the Meeting.**

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17. **Military Coup** (FY 1995 Appropriations Act Sec. 508): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?	No
18. **Exploitation of Children** (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?	No
19. **Parking Fines** (FY 1995 Appropriations Act Sec. 564): Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of September 30, 1993?	Yes
B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")	
Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?	No
C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")	
Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?	N/A

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project will increase employment and enhance productivity of micro- and small businesses by increasing entrepreneurs' access to financial and non-financial services and reducing bureaucratic and regulatory obstacles.

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

A U.S. firm will be contracted to implement the project.

3. **Congressional Notification**

a. **General requirement** (FY 1995 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

A CN has been prepared and funds will not be obligated until the CN has expired.

b. **Special notification requirement** (FY 1995 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification?	Yes
c. **Notice of account transfer** (FY 1995 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?	N/A
4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes (b) Yes
5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?	N/A
6. **Water Resources** (FAA Sec. 611(b)): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, <u>et seq</u>.)?	N/A

7. **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1995 Appropriations Act Sec. 536). If assistance is in the form of a cash transfer or nonproject sector assistance: | N/A

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

b. **Local currencies:** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's | N/A

certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	
9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	Same as 5C(2)A.2
10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Same as 5C(2)A.2
11. **Local Currencies**	
a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The requirement for a host country contribution has been waived by the AA/AFR
b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No
12. **Trade Restrictions**	
a. **Surplus Commodities** (FY 1995 Appropriations Act Sec. 513(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	N/A; Firms receiving assistance will be producing for the domestic market.
b. **Textiles (Lautenberg Amendment)** (FY 1995 Appropriations Act Sec. 513(c)): Will	No; Firms receiving assistance will be

the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?	producing for the domestic market.
13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?	(a) No (b) No
14. **PVO Assistance**	
a. **Auditing and registration** (FY 1995 Appropriations Act Sec. 560): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?	Any PVOs that receive assistance will be registered with USAID.
b. **Funding sources** (FY 1995 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?	U.S. PVOs that receive assistance will meet the 20% privateness test.
15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices?	Signed project will be sent to appropriate offices immediately after signing.

(See Handbook 3, Appendix 6G for agreements covered by this provision).

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?	Yes
17. **Abortions** (FAA Sec. 104(f); FY 1995 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):	
a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options including abortion.)	No
b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No
c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?	No
d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to,	N/A

or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.)	
e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.)	N/A
f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?	No
18. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?	No
19. **U.S.-Owned Foreign Currencies**	
a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1995 Appropriations Act Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.	N/A; All costs are to be paid in U.S. dollars.
b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No
20. **Procurement**	
a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	U.S. small business will be encouraged to bid on the institutional contract either as prime contractors or sub-contractors.

b. **U.S. procurement** (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?	Procurement will be from Code 935 countries.
c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	N/A
d. **Insurance** (FY 1995 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate?	Yes
e. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A
f. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)	N/A
g. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?	No

h. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes

i. **U.S. air carriers** (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

j. **Consulting services** (FY 1995 Appropriations Act Sec. 559): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k. **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

l. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

m. **Notice Requirement** (FY 1995 Appropriations Act Sec. 568): Will project agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made?	Yes
21. **Construction**	
a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?	N/A
b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?	N/A
c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?	N/A
22. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?	N/A
23. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?	Yes
24. **Narcotics**	
a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?	Yes
b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of	Yes

financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?	
25. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?	Yes
26. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
27. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?	Yes
28. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	DFA Procurement Policies will be followed.
29. **Export of Nuclear Resources** (FY 1995 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology?	Yes
30. **Publicity or Propaganda** (FY 1995 Appropriations Act Sec. 554): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?	No
31. **Exchange of Prohibited Act** (FY 1995 Appropriations Act Sec. 533): Will any assistance be provided to any foreign government (including any instrumentality or agency	No

thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?	
32. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?	No
33. **Impact on U.S. Jobs** (FY 1995 Appropriations Act, Sec. 545):	
a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?	No
b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?	No
c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture?	No
B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY	
1. **Agricultural Exports (Bumpers Amendment)** (FY 1995 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to	N/A

increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?	
2. **Tied Aid Credits** (FY 1995 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?	No
3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Yes
4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.	The project was designed following consultations with potential beneficiaries. It will strengthen the capacity of Ugandan banks and NGOs to deliver financial services and help Ugandan trade associations to more effectively represent their members' interests to the government.
5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes; Employment and productivity in micro-, small and medium enterprises (MSMEs) will increase.
6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and	(a) Most beneficiaries live in rural areas of Uganda.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.	(b) Project will strengthen two trade associations. (c) Project will help women and men who own or work in micro, small and medium enterprises (MSMEs). (d) Project will encourage at least 60% of microenterprise loans for women.
7. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Cost sharing requirement was waived by the AA/AFR
8. **Benefit to Poor Majority** (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?	Yes. Project includes an intensive monitoring and evaluation effort to measure impact on beneficiaries.
9. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
10. **Disadvantaged Enterprises** (FY 1995 Appropriations Act Sec. 555): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?	As much as possible
11. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the	(a) No

capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

(b) No

(c) No

(d) No

12. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical

N/A

forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?	(1) No (2) No (3) No (4) No (5) No (6) No
d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?	N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?	N/A
13. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?	N/A
14. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.	N/A
15. **Deobligation/Reobligation** (FY 1994 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?	N/A
16. **Loans**	The activity is a grant not a loan
a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.	
b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?	

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?	
d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?	
17. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?	Same as B.6.
18. **Agriculture, Rural Development and Nutrition,** and **Agricultural Research** (FAA Secs. 103 and 103A):	
a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.	The project is specifically designed to benefit rural households who operate micro-enterprises.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

19. **Population and Health** (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

20. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

21. **Energy, Private Voluntary Organizations, and Selected Development Activities** (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

N/A

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

Services of US PVOs may be used to implement some microenterprise credit activities under PRESTO

c. research into, and evaluation of, economic development processes and techniques;

N/A

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

N/A

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

N/A

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

Urban poor are also expected to have increased access to financial services as a result of the project.

22. **Capital Projects** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

N/A

FKC>IU.

ANNEX E

ACTION: AID-1
INFO: DCM-1 AMB-1

DISTRIBUTION: AID
CHARGE: AID

15 DEC 1994
USAID/UGANDA

VZCZCKMO171
RR RUEHKM
DE RUEHC #1420/01 3481104
ZNR UUUUU ZZH
R 131101Z DEC 94
FM SECSTATE WASHDC
TO RUEHKM/AMEMBASSY KAMPALA 4566
INFO RUEHNR/AMEMBASSY NAIROBI 6664
BT
UNCLAS SECTION 01 OF 02 STATE 331420

AIDAC NAIROBI FOR REDSO/ESA/RLA

E.O. 12356: N/A

TAGS:

SUBJECT: RESULTS OF USAID/WASHINGTON REVIEW OF PRESTO PID

1. THE PRIVATE ENTERPRISE SUPPORT, TRAINING AND ORGANIZATIONAL DEVELOPMENT PROJECT (617-0134) PROJECT IDENTIFICATION DOCUMENT (PID) WAS REVIEWED ON DECEMBER 6, 1994. THE MISSION IS CONGRATULATED ON AN EXCELLENT, WELL-WRITTEN PID DOCUMENT AND ON THE WELL-PREPARED ORAL PRESENTATION AND DISCUSSION OF ISSUES BY THE MISSION REPRESENTATIVES AT THE REVIEW.

2. THE REVIEW COMMITTEE RECOMMENDED APPROVAL OF THE PID AND DELEGATION OF AUTHORITY (DOA) TO THE USAID/UGANDA MISSION DIRECTOR TO DESIGN, AUTHORIZE AND OBLIGATE THE PRESTO PROJECT. PARA 4 CONTAINS AN AD HOC DELEGATION OF AUTHORITY TO THE MISSION DIRECTOR TO AUTHORIZE THIS PROJECT.

3. THE REVIEW COMMITTEE OFFERS THE FOLLOWING GUIDANCE TO THE MISSION IN DESIGN OF THE PRESTO PROJECT.

A. RELATIONSHIP TO USAID/UGANDA'S PROGRAM STRATEGY: SOME PARTICIPANTS BELIEVED THAT THE PRESTO PROJECT, WHILE SENSIBLE AND DEFENSIBLE DEVELOPMENTALLY FOR UGANDA, DOES NOT FIT SQUARELY WITHIN THE APPROVED COUNTRY PROGRAM STRATEGIC PLAN (CPSP). USAID/W DOES NOT CONCUR IN LINKING THE PROJECT GOAL TO THE MISSION'S CPSP SUBGOAL BECAUSE THE GOAL LEVEL IS BY DEFINITION NOT WITHIN THE MISSION'S MANAGEABLE INTEREST. USAID/W AGREES TO AN AMENDMENT OF STRATEGIC OBJECTIVE (SO) ONE TO READ "INCREASE RURAL MEN'S AND WOMEN'S INCOME." THIS AMENDED SO WILL BE FOLDED INTO

DUE DATE 12/22
Action taken Noted
No Action 12/22
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THE MISSION'S STRATEGIC PLAN. THE PRESTO PROJECT IS TO BE DESIGNED TO CONTRIBUTE FULLY AND DIRECTLY TO THIS REVISED STRATEGIC OBJECTIVE.

B. THE RELATIONSHIP OF AGRICULTURE AND PRESTO: IN ORDER TO BUILD ON THE MISSION'S PROGRAM, AND TO MAXIMIZE IMPACT ON RURAL INCOMES, THE PROJECT SHOULD BE DESIGNED SO AS TO MAXIMIZE THE IMPACT OF THE PROJECT ON AGRICULTURAL PRODUCTIVITY AND OUTPUTS. GIVEN THE HIGH POTENTIAL AND PROFITABILITY OF AGRICULTURE IN UGANDA AND THE POTENTIAL OF UGANDA AS A SOURCE OF FOOD EXPORTS IN THE GREATER HORN OF AFRICA REGION, THE REVIEW COMMITTEE AGREED THAT IN THE DESIGN PHASE OF THIS PRIVATE ENTERPRISE PROJECT, EVERY EFFORT WOULD BE MADE TO CREATE STRONG, DYNAMIC LINKS BETWEEN THE AGRICULTURAL SECTOR AND THE ACTIVITIES TO BE FUNDED UNDER THE PROJECT.

C. PID'S PROBLEM STATEMENT AND IMPACT: THE PID'S PROBLEM STATEMENT NEEDS TO BE REEXAMINED AND INDICATORS OF PROJECT IMPACT ADJUSTED AS NECESSARY. THE PROBLEM STATEMENT STRESSES LACK OF EMPLOYMENT OPPORTUNITIES AS THE PRIMARY ISSUE AND UNDERLYING RATIONALE FOR THE PROJECT. EMPLOYMENT DATA IN THE PID AND AVAILABLE FROM OTHER SOURCES ARE INCONSISTENT WITH ONE ANOTHER AND DATED. THE WEIGHT OF THE AVAILABLE DATA SUGGESTS THAT UGANDA'S "EMPLOYMENT" PROBLEM MAY BE MORE ONE OF TOO MANY LOW PRODUCTIVITY, LOW PAYING JOBS RATHER THAN ONE OF LACK OF JOBS. AFR/SD OFFERED TO CONSTRUCTIVELY ASSIST THE MISSION IN SORTING OUT THIS ISSUE ALONG WITH THE DESIGN ISSUE OUTLINED IN 3. B. ABOVE.

D. FUNDING PRESTO WITHIN OYB: THE MISSION HAS IDENTIFIED BUDGET RESOURCES TO LAUNCH PRESTO WITH AN INITIAL YEAR'S OBLIGATION OF DOL2 MILLION IN FY 95 WHILE REMAINING WITHIN ITS OYB LEVEL AND RETAINING NECESSARY ATTRIBUTED FUNDING. PRESTO WILL CONTRIBUTE TO DIRECTIVES IN MICROENTERPRISE, ORPHANS AND DEMOBILIZATION. IN FUTURE YEAR FUNDING PLANNING, THE MISSION WILL BE REQUIRED TO CONTINUE TO MEET DIRECTIVE TARGETS AND SERVICE EXISTING PROJECT MORTGAGES.

E. FORMAL FINANCIAL INSTITUTIONS AND PRESTO: IN DESIGNING MICROENTERPRISE CREDIT ACTIVITIES WITHIN PRESTO, THE MISSION SHOULD EXPLORE OPPORTUNITIES FOR LINKAGES WITH FORMAL FINANCIAL INSTITUTIONS WHICH MIGHT PROVIDE A STRONGER INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE LENDING THAN NEWLY ESTABLISHED NGOS. SUCH INSTITUTIONS MIGHT ALSO PROVIDE ADDITIONAL OPTIONS FOR EXPANDING ACCESS AND IMPACT OF MICROCREDIT PROGRAMS.

F. IMPACT MEASURES FOR POLICY: THE MISSION WILL NEED TO INCLUDE MEASURES OF IMPACT FOR POLICY AND REGULATORY INTERVENTIONS IN THE PROJECT DESIGN AND IMPLEMENTATION PLANNING.

G. REGIONAL LEGAL ADVISOR: IN FINAL DESIGN AND THE APPROVAL MEMO FOR THE PRESTO PP, THE REGIONAL LEGAL ADVISOR WILL NEED TO SPECIFICALLY ADDRESS BUMPERS AND LAUTENBERG AMENDMENTS AND PD 20 ISSUES.

H. REGIONAL LEGAL ADVISOR: IF PRESTO WILL PROVIDE ASSISTANCE TO THE UGANDA REVENUE AUTHORITY OR THE CUSTOMS DEPARTMENT, THE REGIONAL LEGAL ADVISOR MUST EXAMINE THE AUTHORITIES THAT THESE ENTITIES (OR THEIR RELEVANT SUBDIVISIONS) POSSESS, TO ENSURE THAT THEY DO NOT POSSESS CHARACTERISTICS THAT WOULD DEEM THEM "LAW ENFORCEMENT FORCES" UNDER FAA SECTION 660.

I. IEE: AN INITIAL ENVIRONMENTAL EXAMINATION (IEE) IS BEING PREPARED BY AFR/SD AND AN APPROVED IEE WILL BE FAXED TO THE FIELD.

4. DAA/AFR HEREBY DELEGATES AUTHORITY TO THE MISSION DIRECTOR, USAID/UGANDA, OR TO THE PERSON ACTING IN THAT CAPACITY, TO AUTHORIZE THE SUBJECT PROJECT IN AN AMOUNT NOT TO EXCEED DOL25 MILLION. THIS AD HOC DOA SHALL BE EXERCISED IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS OF DOA 551, EXCEPT FOR THE DOLLAR AMOUNT LIMITATION.
CHRISTOPHER
BT
#1420

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