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Norman L. Olsen
Program Officer
July 15, 1991

AGREEMENT BETWEEN

THE GOVERNMENT OF THE

UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF THE

REPUBLIC OF UGANDA

FOR THE DONATION OF AGRICULTURAL COMMODITIES

WHEREAS it is the policy of the Government of the United States (hereinafter referred to as the United States) to enhance food security in eligible countries through the use of agricultural commodities and local currencies accruing upon their sale to combat world hunger and malnutrition and their causes; promote broad-based, equitable, and sustainable development, including agricultural development; expand international trade; develop and expand export markets for United States agricultural commodities; and foster and encourage the development of private enterprise and democratic participation in such countries; and

WHEREAS the Government of the Republic of Uganda (hereinafter referred to as the Cooperating Country) has a long-term plan for broad-based, equitable and sustainable development, has demonstrated the need for and capability to use food assistance effectively and has committed itself to policies that promote food security, including policies to reduce hunger and malnutrition;

NOW THEREFORE, the Agency for International Development (A.I.D.), on behalf of the United States, and the Ministry of Finance on behalf of the Cooperating Country (hereinafter referred to as the Parties), desiring to set forth the understandings that will govern the supply of agricultural commodities to the Cooperating Country for a Food for Development Program pursuant to Title III of the Agricultural Trade Development and Assistance Act of 1954, as amended (hereinafter referred to as the Act or PL 480), and the measures the Parties will take in furthering the policies stated above, have agreed as follows:

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Article I - Financing Arrangements.

Section 1.1 Donation.

(a) A.I.D. shall donate to the Cooperating Country the following agricultural commodities during United States fiscal year 1991:

Commodity	Approximate Quantity (Metric Tons)	Supply Period (U.S. FY)	Market Value (Millions)
Tallow	18,000	1991	$5.8

(b) The donation of commodities to the Cooperating Country is made subject to the terms and conditions of this Agreement, the Plan of Operations in Annex A, the Commodity and Shipping Information and Requirements in Annex B and the Standard Provisions in Annex C, each of which is attached to and forms part of this Agreement. Within the limits of the Food for Development Program set forth in Article II of the Agreement, elements of the Plan of Operations in Annex A may be changed by written agreement of the authorized representatives of the Parties named in Section 4.1 without formal amendment of this Agreement.

Section 1.2 Payment of Costs.

(a) Except as otherwise provided, the United States will donate the agricultural commodities without charge and will arrange for and pay the costs of purchasing, processing, handling and transporting the commodities to United States ports of export and will arrange for and pay the costs of ocean and other transportation to port(s) or point(s) of entry and all surveys. The total costs paid by A.I.D. under this Agreement shall not exceed $10.0 million.

Section 1.3 Maximum Export Value.

The value of the total quantity of each type of commodity donated under this Agreement shall not exceed the maximum export value of the commodity specified in Section 1.1 and Annex B. A.I.D. may limit the total value of each type of commodity to be donated as prices decline or as other factors require so the quantities of such commodities donated will not substantially exceed the applicable approximate quantity specified in the Agreement.

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Section 1.4 Title to Donated Commodities.

Title to donated commodities shall pass to the Cooperating Country at the time and place of discharge of the commodities from ocean vessels is completed, except when A.I.D. has agreed to arrange for and pay the costs of overland transportation from a designated port abroad to a point of entry in a landlocked Cooperating Country in which case title shall pass at the time and place of delivery of the commodities to the point of entry in the Cooperating Country is completed.

Section 1.5 Delivery Periods.

All deliveries of commodities donated under this Agreement shall be made within the supply period(s) specified in the commodity table in Section 1.1 and Annex B, except as A.I.D. may otherwise agree in writing. For this purpose, delivery shall be deemed to occur as of the on-board date shown in the ocean bill of lading signed on behalf of the carrier.

Section 1.6 Subject to Availability.

(a) The undertakings made by A.I.D. in this Agreement to donate commodities and pay costs are subject to the availability, during each fiscal year, of funds and commodities.

(b) In determining whether to proceed each year, A.I.D. shall review and consider the Cooperating Country's need for agricultural commodities, its performance in satisfying the terms and conditions of this Agreement and such other factors as A.I.D. deems appropriate, including the extent to which the Cooperating Country is:

(1) making significant economic development reforms;
(2) promoting free and open markets for food and agricultural producers; and
(3) fostering increased food security.

Article II - Food for Development Program.

Section 2.1 Use of Donated Commodities.

In accordance with this Agreement and the Plan of Operations in Annex A, donated commodities may be sold in the country by the Cooperating Country or its designee.

Section 2.2 Country Development Plan.

Donated commodities or local currency sales proceeds shall be integrated into the overall development plans of the Cooperating Country to improve food security and agricultural development, alleviate poverty, and promote broad-based, equitable and sustainable agriculture in the manner described in Annex A.

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Section 2.3. Sales Procedures and Ownership of Local Currency Proceeds.

(a) The Cooperating Country shall sell donated commodities, and the sales price(s) for such commodities shall be established, in the manner described in this Agreement, including the Plan of Operations in Annex A, in Program Implementation Letters issued by A.I.D. pursuant to Section C-1.2 of this Agreement, or in such other way as A.I.D. and the Cooperating Country may jointly agree.

(b) Local currency revenues generated by the sale of donated commodities (hereinafter referred to as local currency proceeds) shall be the property of the Cooperating Country.

Section 2.4 Separate Account.

(a) The Cooperating Country shall deposit local currency proceeds into a separate, non interest bearing account in the manner described in Annex A. Management of the account shall be agreed to jointly by A.I.D. and the Cooperating Country in an implementation letter.

(b) The Account Manager shall maintain books, records and other documentation adequate to show deposits to the separate account and disbursements from the separate account for the purposes mutually agreed upon by the Cooperating Country and A.I.D. In addition, the Account Manager shall provide A.I.D. a quarterly report regarding deposits to, withdrawals from and disposition of local currency from the separate account and shall direct the bank at which the account is maintained to provide account statements to A.I.D., as well as to the Account Manager.

(c) The Cooperating Country shall cause the books and records of the separate account to be audited annually in accordance with generally accepted auditing standards and accounting principles that have been prescribed by the laws of the Cooperating Country together with generally accepted international auditing standards. The audit shall be performed by the Cooperating Country's Auditor General or other audit entity which shall be selected by the Cooperating Country and approved by A.I.D.

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Section 2.5 Use of Local Currency Proceeds.

(a) The Parties (A.I.D. and the Government of Uganda) consider local currency proceeds to be an integral part of the overall development strategy of the Cooperating Country and A.I.D. To the extent and in the manner set forth in Annex A of this Agreement, or in local currency agreements between the Cooperating Country and A.I.D., local currency proceeds shall be used in the Cooperating Country for the following specific economic development purposes:

- the establishment of development programs, projects or activities that promote food security, alleviate hunger, improve nutrition and promote family planning, maternal and child health care, oral rehydration therapy and other child survival activities;

- support for United States private voluntary organizations and cooperatives and encouragement of the development and utilization of indigenous nongovernmental organizations;

- private sector development activities, including loans to financial intermediaries for use in making loans to private individuals, cooperatives, corporations and other entities;

- support for research, including collaborative research which is beneficial to the United States and the Cooperating Country, education, and extension activities in agricultural sciences.

(b) A nongovernmental organization may, with the prior written approval of A.I.D. and the Cooperating Country, invest local currency proceeds provided to it by the Cooperating Country under this Section, and interest earned on such investment may be used for the purpose for which assistance is provided to that organization.

Section 2.6 Local Currency Agreements.

(a) Local currency agreements executed by the Cooperating Country and A.I.D. pursuant to this Agreement may be used to further identify the purposes, programs, projects or activities within the scope of Section 2.5 for which the Cooperating Country and A.I.D. have agreed that local currency proceeds may be disbursed. Each local currency agreement shall be deemed to include all the terms and conditions of this Agreement, irrespective of whether such terms and conditions are repeated or are incorporated by reference in such local currency agreements, together with such other terms and conditions as A.I.D. and the Cooperating Country consider appropriate.

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(b) Except as otherwise agreed in writing by the Cooperating Country and A.I.D., or as provided in this Agreement, each local currency agreement and each recipient agency agreement between the Cooperating Country and a government or other recipient agency, defined in Section C-1.1, shall identify the specific, tangible results or achievements anticipated from the program, project or activity for which local currency proceeds will be provided (hereinafter referred to as performance indicators). Performance indicators should be those results which demonstrate that the purpose(s) of the use of local currency proceeds has or have been accomplished and must be described in a manner that is measurable and verifiable.

Section 2.7 Support for Indigenous Nongovernmental Organizations.

Except as provided in Annex A or as A.I.D. may otherwise agree in Program Implementation Letters, not less than 10 percent of the local currency proceeds in the separate account shall be used by the Cooperating Country to support the development and utilization of cooperatives and indigenous nongovernmental organizations that are active in rural development, agricultural education, sustainable agricultural production, other measures to assist poor people, and environmental protection projects in the Cooperating Country.

Article III - Administration of the Food For Development Program.

Section 3.1 Monitoring and Auditing by the Cooperating Country.

The Account Manager, or other government agency selected by the Cooperating Country and approved by A.I.D. (hereinafter referred to as the Program Monitor), shall monitor and audit the programs, projects or activities financed with local currency proceeds. In the event these responsibilities are performed by a government agency other than the Account Manager, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D., a written description of how the responsibilities will be shared by the Account Manager and the Program Monitor, including the kinds and frequency of reports that will be provided to the Account Manager about the use of local currency proceeds for the purposes agreed upon by the Cooperating Country and A.I.D. and progress made toward achieving performance indicators.

Section 3.2 Disbursements for Specific Projects.

Prior to the use of local currency proceeds for specific projects of government or other recipient agencies, the Account Manager or Program Monitor shall assess the capability of the recipient agency to use and account for local currency proceeds. Thereafter, the Account Manager or Program Monitor shall obtain

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and verify reports regarding the use of local currency proceeds by the recipient agency and conduct or arrange for audits of the recipient agency's use of local currency proceeds for the approved projects. The format and frequency of reports that will be obtained, and the frequency of audits that will be conducted by the Account Manager or Program Monitor shall be described in Project Implementation Letters.

Article IV - Final Provisions.

Section 4.1 Representatives.

For all purposes relevant to this Agreement, the Cooperating Country will be represented by the person holding or acting in the Office of the Minister of Finance and A.I.D. will be represented by the person holding or acting in the Office of Director, each of whom, by written notice, may designate additional representatives for all purposes other than the power to revise the Plan of Operations in Annex A. The names of the representatives of the Cooperating Country, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 4.3 Entry Into Force.

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives of the Parties, duly authorized for the purpose, have signed the present Agreement.

Done at KAMPALA, in duplicate, this 11th day of JULY, 1991.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

Keith W. Sherper
MISSION DIRECTOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

FOR THE GOVERNMENT OF THE REPUBLIC OF UGANDA

Dr. Chrispus W.C.B. Kiyonga
MINISTER OF FINANCE

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ANNEX A

FOOD FOR DEVELOPMENT PROGRAM

PLAN OF OPERATIONS

Article I Program Strategy

Section 1.1 Development Conditions

(a) In 1987, the Government of Uganda (GOU) introduced an Economic Recovery Program (ERP) to reverse the decline in living standards and restore economic growth. The ERP seeks to restore price stability and sustainable balance of payments position, to substantially improve capacity utilization in industry and agriculture, and to improve public sector resource mobilization and allocation. The ERP is the second phase of a long-term process which is intended to develop an independent, integrated, self sustaining economy. It is also a vehicle to create linkages between different sectors of the economy, particularly industry and agriculture.

Among the main elements of this long-term strategy are: 1) the diversification of agriculture away from a narrow range of export crops by increasing food production, supplying inputs to the industrial sector and increasing production for the domestic and export markets; (2) the development of agro-based industries and the processing of food products both for local consumption and exports; and (3) the revitalization of the tourism industry by prohibiting encroachment on national parks and forest reserves, preserving wildlife and ensuring that the exploitation of natural resources is both sustainable and consistent with the essential need for environmental protection.

Significant progress has been made over the past four years. Output growth has continued in the 6-7 percent growth range, reflecting a marked recovery in agricultural production and manufacturing output. Inflation has been reduced from an annual rate of 300 percent during the period 1988-1990 to an annualized rate of approximately 26 percent. In addition to legalizing the parallel market, there has been a continual devaluation of the official exchange rate, which has seen a depreciation of 16 percent in real effective terms since 1988. This measure has significantly improved the availability of foreign exchange. Economic growth has been stimulated and local entrepreneurs are now developing a manufacturing capability. Furthermore, the monopoly control of exports by the Produce Marketing Board was eliminated in 1989 (this

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requirement was part of the conditionality of the first phase of USAID/Kampala's support to the non traditional export sector). The liberalization of the economic policy regime in Uganda together with dramatic improvements in transport infrastructure and the return of confidence in the economy and in the Government have contributed to substantial increases in non traditional agricultural exports -- almost three fold over the past three years, albeit from a very low base -- a major component of USAID/Kampala's agriculture strategy. The unexpected price increase for petroleum and petroleum products presented a challenge to the Ugandan economy. Yet it does not seem to have halted the trend towards economic recovery, driven by the GOU's commitment to economic reform.

Section 1.2 Program Objectives

The one year P.L. 480 Title III program has been developed to serve as a bridge to a multi year Title III program, and overlaps USAID/Kampala's development of its Country Program Strategic Plan (CPSP). The one year program builds on three consecutive Title I programs (FY 1988, 1989 and 1990) that sought to privatize the soap industry in an effort to make soap readily available throughout the country at affordable prices.

The economic importance of soap as an essential commodity can be seen in terms of its position in the consumer price index. For middle income families, soap ranks fourth in terms of its weight in the consumer price index. For low income consumers, soap is the third largest non food expenditure item behind rent and transport. Over the three year period of the Title I program, soap production nearly doubled, increasing from 15,768 MT in 1987 to 30,669 MT in 1990. During the same period prices rose from Ush 300 per bar to Ush 379 per bar while the official exchange rate vis-a-vis the U.S. dollar rose from Ush 155 to Ush 570.

These three Title I programs, according to a recently completed assessment, were successful in: 1) significantly increasing the supply and availability of competitively priced soap nationwide; 2) privatizing the soap sub sector; 3) improving capacity utilization; and 4) providing balance of payment support for the country. However, these successes are still fragile because the sub sector is dominated by a single enterprise, albeit a private sector firm.

In 1991, eight additional manufacturers indicated their interest in purchasing and utilizing tallow through the Title III program. Several of these firms now appear to have strong management, sound fiscal procedures and the capital to support operational development and expansion.

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It is on this basis that the Mission intends to promote competition in soap production by using the P.L. 480 Title III program to provide tallow to at least four potentially viable Ugandan soap making companies (Mukwano Industries, Mbale Soap Works, Nakasero Soap Works and Madhvani Soap Works). The Mission, through the Uganda Manufacturers Association (UMA), has canvassed other firms for possible inclusion in the program. Several of the smaller soap makers are interested in participating and appear to have the resources to enter the market. The Title III program will move the industry into a more competitive situation with several large soap manufacturers and a number of small scale manufacturers participating in the program.

Section 1.3 Country Development Plan.

The GOU's continued commitment to economic reform, greater market orientation, and improved incentives for the participation of the private sector in the growth and development of the economy has been a driving factor behind USAID/Kampala's programs. The FY 1991 one year bridge Title III program, building on the three Title I programs which helped to promote an efficient and productive domestic bar soap industry capable of competing with imports, will further promote the creation of competition in the soap manufacturing industry so that government control over producer prices may be eliminated. This expansion and stabilization of soap production at competitive prices has had immediate economic and social benefits for all Ugandans, especially the vast majority of Ugandans in the low income range. Soap prices have remained relatively constant during a period of high inflation, and affordable soap is now available nationwide thus improving the economic and health status of all Ugandans. It has also increased employment in the manufacturing sector and established export capabilities within the sub sector.

The local currency generated by the sale of tallow to the private sector will be programmed to assist priority development areas as outlined in the GOU's Rehabilitation and Development Plan (RDP) and to contribute to the effective implementation of U.S. development concerns and interest in Uganda. Agricultural diversification and rural feeder road rehabilitation and development -- two key areas identified in the RDP -- will be supported with funds from this program. The local currency will continue to be used in support of priority activities in the health sector. Some of the specific areas of focus will be: AIDS control and education, family planning and child survival. The Mission will also program local currency to support education sector initiatives that are currently being developed.

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Section 1.4 A.I.D. Strategy

This P.L. 480 Title III program is designed for a one year bridge which overlaps USAID/Kampala's development of its Country Program Strategic Plan (CPSP). It, thus, integrates elements of the current operational strategy and the evolving articulation of the CPSP.

The current country program is directed at supporting the government's policy reform program with the aim of liberalizing and privatizing the economy. Significant progress has been realized since 1987, via economic reforms, improvements in macroeconomic indicators, significant trade liberalization, formulation of divestiture plans, greater market orientation and improved incentives for the participation of the private sector in the growth and development of the economy. During 1988 and 1989, the economy grew at rates exceeding 6 percent.

USAID strategy is centered on increasing agricultural growth by increasing private sector participation. The Mission project and program portfolio consists of a package of complementary activities including: research, commodity imports, input distribution, crop production, agroprocessing, and commodity marketing with an overall emphasis on sectoral growth and diversification of agricultural exports. Most resources go toward support of the private sector, with the exception of research and allied training. An integral part of this strategy is policy reform which is aimed at improving the structure of incentives and the private investment climate as well as addressing constraints to expansion of export trade. Beyond project level assistance directed at these areas, including the non traditional export promotion and development program, the P.L. 480 Title III program will reinforce the strategy with related policy measures, balance of payment support and local currency for rural feeder roads rehabilitation and development and agricultural diversification.

The A.I.D. strategy also focuses on the issues of rapid population growth and life threatening health problems including the AIDS epidemic. Local currency generated from the sale of Title III commodities will support development activities in these strategic areas.

The goal of the bridge Title III program falls within the first strategy, namely liberalizing and privatizing the economy and improving the private sector environment. The prospect of Title III tallow has directly contributed to the decision to rehabilitate two soap factories which had been closed for many years, the expansion of two existing soap factories on the eastern and western borders of the country and the conversion of two labor intensive production units to small scale

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mechanized operations. These newly expanded industries will provide increased employment opportunities within the industrial sector. In addition, Ugandans from every economic strata will benefit because the increased competition within the soap industry will help to maintain an ample supply of soap at affordable prices. Increased production is also likely to facilitate an increase in soap consumption from current levels of 1.7 kg per capita to the pre 1983 consumption levels of 3.1 kg per capita.

Section 1.5 Country Policy

In the last three years, the GOU has liberalized the soap sector significantly by privatizing parastatals and lifting all price and other controls at the wholesale and retail levels. However, the ex-factory price of soap is still administratively determined because of the near monopoly of a single private sector firm. The FY 1991 Title III program will promote the creation of competition in the soap manufacturing industry so that government control over producer prices may be eliminated.

The GOU attempts to provide protection from foreign competition for the domestic soap industry by declining to issue import licenses for bar soap. The results are unofficial imports, on which the GOU earns no revenue. The Title III tallow program is intended to promote an efficient productive domestic bar soap industry fully capable of competing with imports. This should lead to the lifting of import restrictions as a means of insuring competitively priced bar soap for the low income rural households who are its main consumers. The GOU has also declined to issue licenses for the importation of tallow, presumably on the grounds that the current sole importer already has large stocks on hand for sale to other soap manufacturers.

Performance Indicators:

The program will increase private participation in soap manufacturing. Indicators of progress are as follows:

- By the end of FY 1991, at least three additional manufacturers will have bulk handling and storage facilities thus providing the means of creating competition in the sub sector and removing the need to restrict imports of raw materials for the soap industry.

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- By the end of FY 1991, the Bank of Uganda will issue a report on movement towards convergence of the official and market clearing rates.

- By the end of FY 1991, a Domestic Cost Resource Analysis of the soap industry will be completed by the Bank of Uganda and a U.S. technical expert.

Article II Use of Donated Commodities

Section A-2.1 Allocation of Donated Commodities

At the present time several soap factories are closed or underutilized due to lack of tallow, an essential ingredient in soap production. The availability of P.L. 480 Title III tallow to qualified manufacturers will increase soap production in 5 districts of Uganda. The operational capacity of these factories will range from 3000 bars per day to over 100,000 bars per day.

All costs of purchasing and transporting the tallow will be paid in Ugandan shillings by participating manufacturers into a special non interest bearing account at the Bank of Uganda. The Ministry of Planning and Economic Development and USAID/Kampala will jointly program these shillings for development activities as outlined in section A 4.1.

Section A-2.2 Participation of Private Sector

All commodities will be offered in bulk only to private sector soap manufacturers who will also assume responsibility for bulk storage of the tallow as well as marketing and transporting the finished product.

Article III - Sale of Donated Commodities

Section A-3.1 Sale Procedures

The tallow shall be consigned to the Ministry of Finance who shall officially receive the commodity in Kampala and insure that the tallow is immediately delivered to approved private sector soap manufacturers.

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To qualify for participation in the P.L. 480 Title III program, manufacturers must meet the criteria established by USAID, GOU, and UMA. At a minimum, participating manufacturers will need to:

a) provide a written letter of intent to purchase tallow on a monthly basis;

b) be able to qualify for the OGL;

c) complete the construction of adequate bulk storage and handling facilities before the initial tallow delivery;

d) provide, to the satisfaction of the Bank of Uganda, proof of ability to finance on a month by month basis the full payment of all costs associated with the purchase and transport of bulk tallow using one of the following payment schemes:

1) full payment upon confirmation of monthly deliveries;

2) 25% down payment upon confirmation of monthly delivery with balance due in 120 days at an interest rate of 3% per month;

3) 50 % down payment upon confirmation of monthly deliveries with the balance due in 180 days at an interest rate of 3 1/2% per month.

The sale price shall cover all costs associated with the purchase, storage and transport of the tallow. Purchase shall be made in Ugandan shillings at the official rate of exchange applicable on the date the monthly order is approved by the Bank of Uganda.

Proceeds accruing to the Government of Uganda from the sale of this commodity shall be deposited in a separate account held by the Bank of Uganda.

Section A-3.2 Separate Account

A separate non interest bearing account will be maintained at the Bank of Uganda by the Ministry of Planning and Economic Development which will ensure that deposits and disbursements are made in a timely manner. The Aid Coordinator in the Ministry of Planning and Economic Development will be responsible for issuing quarterly reports showing all deposits and disbursements. An annual audit of this account will be prepared by the Director General of Audits of the Government of Uganda.

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Article IV Joint Programming of Local Currency

Section A - 4.1 Disbursements of Local Currency Uses

The proceeds accruing to the Government of Uganda from the sale of this commodity will be used for financing shilling requirements for specific development activities in three broad areas:

a) 50 percent of the local currency will support agricultural diversification, a key element in the GOU's Rehabilitation and Development Plan (RDP) and the ongoing Mission strategy. Export diversification in the agriculture sector has been identified as key to reducing the country's dependence on coffee. Local currency from this program will be used to support improved production technologies and to develop food crops, particularly in the area of non traditional exports such as maize and beans. Mission Agricultural Officers in conjunction with personnel from the MFAD (Manpower for Agricultural Development) project will screen project proposals and monitor progress.

Local currency will also support infrastructure development where we believe there is potential for a quick response. Heavy emphasis will be placed on the rehabilitation and development of rural feeder roads. The ability to use local contractors and labor intensive methods to improve feeder roads make this area an excellent recipient of local currency. In addition, infrastructure development in which other donors are providing the foreign exchange will be augmented by local currency from this project. Mission Agricultural Development Officers will review rehabilitation proposals submitted by District Administrators and recommend projects for funding. District Administrators will be held responsible for the progress of the road work and the strict accountability of local currency advances.

b) 30 percent of the local currency will be attributed to priority government and USAID concerns in the health sector. Funds will continue to support Mission programs in AIDS control and education which provide educational outreach and personal counseling through governmental agencies, NGO's and private sector organizations. Child survival activities will again receive local currency to carry out information and training activities including funds to incorporate traditional healers in an outreach program to rural families Mission project officers in the health sector will screen project proposals and monitor progress and accountability.

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c) 20 percent of the local currency will be programmed in support of the education sector. In FY 92, the mission will focus on the special needs of this sector in order to develop a major program initiative. It is anticipated that the education sector will be a major recipient of future Title III local currency generations. Mission Program Office will screen proposals and monitor progress and accountability until the Mission Education project is developed and approved.

Proposals that have successfully passed technical screening in all three areas will be reviewed by the Program Office prior to being submitted to the GOU for final approval.

Across all three priority areas, the Mission intends to seek out ways to ensure that women benefit from the programing of local currency. Women are well represented in the agricultural sector and have demonstrated high commitment to activities in the social service sector. But they often do not reap the benefits of development assistance. One criteria for all projects seeking funding approval will be the way in which the project has addressed the particular needs and realities of women as well as men. The mission WID officer will sit on the USAID panel which reviews project proposals.

The Government of Uganda and USAID are responsible for ensuring that normal Government of Uganda (GOU) or supplemental oversight and auditing activities are undertaken to verify appropriate allocations and expenditures of all LC funds. The oversight and auditing of local currency allocation and expenditures will be applied to all organizations receiving local currency from the special account, including GOU ministries and other GOU bodies, USAID-financed projects and PVO/NGOs.

Within each area, up to 3 percent of all local currency will be allocated for project evaluation and project audits following the plan set out in Article VII.

Article V - Indigenous NGOs

At least 10 percent of the local currency available from this program will support indigenous non governmental organizations. Ugandan NGO'S have been active for many years in the area of AIDS education and support for families affected by AIDS. NGO's carrying out these important activities will continue to receive support through this project. USAID/Kampala will continue to support the PVO Initiatives Project. This umbrella project funds local NGO activities in support of grass roots development activities and income generating projects. The Mission also plans to seek out women's groups who are capable of carrying out projects in the priority areas.

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Article VI Implementing Arrangements

The GOU will appoint a coordinator in the Ministry of Finance for this program who will be responsible for ensuring that all reporting and coordination required under the agreement is accomplished in a timely manner. This person will be the primary contact within the GOU for matters and issues pertaining to implementation of the agreement. The GOU will notify USAID/Uganda in writing two weeks after the signing of this agreement of the name and position of the person appointed.

The coordinator will ensure that each of the major governmental bodies involved in implementing this program carry out their responsibilities in a timely manner.

The Ministry of Finance will:

(a) issue all licenses under which the tallow is imported to Uganda;

(b) facilitate the delivery of the tallow to the manufacturers free of all taxes and duties;

c) release local currency funds upon instructions from the Ministry of Planning and Economic Development;

(d) issue the Annual Use of Local Currency Report; and

(e) instruct the Auditor General to audit the Special Account annually.

The Bank of Uganda will:

(a) approve bank payment guarantees from the soap manufacturers and notify USAID/Kampala that funds are available for monthly tallow deliveries;

(b) insure that qualified soap manufacturers are on the OGL lists;

(c) receive payments from importers and deposit such payments into the special account; and

(d) issue regular monthly status reports on the special account showing all deposits and withdrawals.

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The Ministry of Planning and Economic Development will:

(a) jointly program with USAID/Kampala all local currency accrued by this project;

(b) inform the Ministry of Finance when disbursements may be authorized;

(c) issue quarterly reports detailing all activities in the special account including deposits and disbursements;

d) ensure that the annual Use of Local Currency Report be submitted through the Ministry of Finance to USAID/Uganda by November 15, 1992; and

(e) convene regular meetings with the Director, USAID/Kampala (or designate) and interested GOU agencies to discuss progress on policy measures and the utilization of local currency generations.

Participating soap manufacturers and the GOU will provide USAID/Kampala with regular, informal reports and information on the transport, distribution and utilization of the commodities provided under this agreement.

Article VII Monitoring and Evaluation Plan

Activities funded by this program will be reviewed and jointly approved by USAID/Kampala and the Ministry of Planning and Economic Development. Recipients will submit, through their USAID/Kampala designated project officer, quarterly project implementation reports showing progress towards agreed upon objectives and actual expenditures against advances. Additional disbursements will only be authorized by the Controllers Office when recipients have satisfactorily accounted for advances.

USAID/Kampala will assess the one year PL480, Title III program following the disbursement of all tallow to determine the economic and social impact of the imported tallow and the progress made towards the development of a private, competitive soap industry. End use checks will be conducted on an annual basis on all projects receiving local currency Such checks will occur during the first and second quarter of the year following the disbursal of funds. In addition, non federal audits will be conducted each year on 30 percent of the projects funded by local currency generations. Up to 3 percent of all local currency accrued by this project will be reserved for evaluations and audits, as specified in Article 4 Any evaluation activities requiring foreign exchange will be funded by Program Development and Support funds.

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