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UGANDA
Food Production Support Project

Project Paper Amendment #2

617-0102

USAID/Kampala
July, 1986

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> A - Add <input type="checkbox"/> B - Change <input type="checkbox"/> C - Delete	Amendment Number <u>2</u>	DOCUMENT CODE <u>3</u>
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3. COUNTRY/ENTITY UGANDA	5. PROJECT NUMBER <u>617-0102</u>
4. BUREAU/OFFICE AFR	6. PROJECT TITLE (maximum 30 characters) <u>FOOD PRODUCTION SUPPORT PROJECT</u>

6. PROJECT ASSISTANCE COMPLETION DATE (FISCAL) MM DD YY <u>11 03 08 88</u>	7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <u>011</u> B. Quarter <u>4</u> C. Final FY <u>816</u>
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8. COSTS (\$000 OR EQUIVALENT \$1000)					
A. FUNDING SOURCE	FISCAL YEAR <u>81</u>			LIFE OF PROJECT	
	B. FX	C. I/G	D. Total	E. FX	F. I/G

AID Appropriated Total (Grant) (2,000) () (2,000) (11,999) () (11,999) (Loan) (2,000) () (2,000) (11,999) () (11,999)					
Other U.S. 1. _____ 2. _____ Host Country _____ Other Donor(s) _____				1,300	4,370
TOTALS	2,000		2,000	13,299	4,370

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	130	070		8,999		3,000		11,999	
(2)									
(3)									
(4)									
TOTALS				8,999		3,000		11,999	

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

13. PROJECT PURPOSE (maximum 460 characters)

(1) To increase agricultural production by supplying small farmers with Farm Implements and other agricultural inputs.

(2) To rehabilitate the cooperative movement so that it can resume essential services in support of the small farmer.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY _____ _____ _____ <u>09 87</u>	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

- (1) Increase Funding by \$3.0 million
- (2) Include rural water and sanitation activity
- (3) Broaden the agricultural input delivery system
- (4) Extend the Project Activity Completion Date

17. APPROVED BY	Signature Title MISSION DIRECTOR	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed MM DD YY <u>17 29 86</u>
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UGANDA FOOD PRODUCTION SUPPORT PROJECT
PROJECT PAPER AMENDMENT

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UGANDA FOOD PRODUCTION SUPPORT
PROJECT PAPER AMENDMENT
(617-0102)

I. Summary and Rationale

The Food Production Support Project (FPSP) was due to terminate on September 30, 1986. Because the Mission personnel and technical advisors were evacuated for a period of eight months following the July 27, 1985 coup-d'etat, the project was extended one year to accommodate outstanding procurement actions, extend the credit advisor and to provide additional time for a participant trainee to complete his training. Overall, considering the circumstance under which the project was implemented, it made substantial progress towards the project objectives, goal and purpose. The mid-turn evaluation in April 1984 found that: "Despite some difficulties, this project should stand as an excellent example of quick, effective response to development needs..." In February 1986, following discussions between AID/W (AFR/EA and AFR/PD), USAID/Kampala and the Government of Uganda, it was concluded that Uganda's priority needs at this time, were centered on resettlement and rehabilitation. Therefore, it was necessary to tailor assistance as much as possible to the near-term Ugandan effort to resettle people and rehabilitate the economy. It was recognized that it would take considerable time to meet these needs through new projects and programs. The FPS project was in place, the institutions, agencies and personnel involved were experienced in the implementation procedures. The local conditions and environment were much the same as they were when the project was first initiated in 1981. Therefore, it was decided to provide \$3.0 million additional funds for FPS and essentially have the project continue doing what it had been doing for the past five years. To accommodate this, the PACD has been extended an additional year to September 30, 1988.

The project goal and purposes remain the same. However, the project activities and emphasis have changed somewhat to adjust to the current situation. Because of the urgency to deliver agricultural inputs, the emphasis now, is even more on commodity delivery than institution building. In some areas the cooperative structure does not exist because of the hostilities in these areas. Therefore, it will be necessary in such areas to utilize other organizations for distribution of the agricultural inputs to the farmer. The Ministry of Cooperatives and Marketing (MCM) is still responsible for the overall delivery system. Now, especially in areas that have been war damaged, input delivery systems other than cooperatives are needed.

Another activity not planned for in the original project paper but included in this amendment, is assistance to the rehabilitation of rural water and sanitation systems in the Luwero Triangle. This was previously a densely populated area, and just about completely devastated during the hostilities. Now the people are moving back into the area. At the urgent request of the GOU, UNICEF developed an emergency plan to rehabilitate the water and sanitation systems. This was an opportunity to respond quickly to an emergency need and the Mission along with Sweden and Australia agreed to finance the activity. This Project Paper amendment makes provisions for financing \$600,000 of materials and equipment, to be purchased by UNICEF, to rehabilitate and construct rural water and sanitation systems.

Except as noted above, this amendment will finance essentially the same commodity and activities as previously provided for. \$1.6 million is budgeted for steel and implement processing equipment for the manufacture of hoes, pangas and other agricultural implements and a limited quantity of finished hoes and pangas. \$560,000 is budgeted for seeds, primarily maize, oil seeds and vegetable seeds. \$400,000 will be used to finance equipment and materials for the rural water and sanitation systems (\$200,000 was recently provided from unallocated funds remaining in the Project). \$20,000 is allocated for miscellaneous items and \$192,000 for contingencies. The amendment will provide for 28 person months of technical assistance for the on-going credit component, budgeted at \$228,000.

This amendment document discloses in more detail some of the project background, the modification in the delivery system, the inclusion of the water and sanitation systems and the current implementation procedures. Since it is essentially a continuation of the same activities and the overall situation today is very similar to that when the project was first developed, no attempt is made in this amendment to prepare new project analyses. The only exception to the above statement is that analyses that may pertain to the water and sanitation system. In this situation, AID is contributing less than 30 percent of the total activity cost and the funds will be co-mingled with those of other donors with the procurement being made by UNICEF. Therefore, the Mission is relying on UNICEF to apply its policies and procedures to the analysis.

II. Background and Statement of Problem

The Food Production Support Project is an outgrowth of a \$3 million 1979 CIP grant to Uganda. The project goal is to rehabilitate the agriculture sector so that farmers may increase both production and income. To accomplish this goal, the project has two purposes: (a) to supply small farmers with farm implements and other inputs; and (b) to rehabilitate the cooperative movement so that it can resume essential services in support of the small farmer.

The initial funding of the FPSP was \$5 million over a three year period for commodities (69%), technical assistance (19.5%), and training (11.5%). The project was originally designed to provide agriculture related commodities, with some technical assistance support, to the cooperative movement (including training) and to improve the delivery of commodities and services to farmers by the cooperative movement. The TA was deliberately limited in numbers and scope at the PP design stage for security reasons.

A \$1.3 million Cooperative Agreement between AID and Agricultural Cooperative Development International (ACDI) was signed on May 18, 1982, to provide 49 person months (pm) of technical assistance and training services. The agreement called for one long-term cooperative management advisor (18 pm) and seven short-term consultants (31 pm).

In August 1982, project funding was increased by \$4 million, most of which (77%) was for additional agricultural commodities. Training was increased by 37 pm and technical assistance services by 18 pm, including an extension of the resident long-term management and banking credit advisors by 12 and 6 months, respectively.

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In April 1983, the ACDI agreement was again amended to accommodate the decision to increase the number of long term advisors from one to four, and to change the type and mix of short term advisors. Accordingly, the agreement amendment increased technical advisory services in the project from 49 to 115 pm.

Due to slow commodity procurement (almost 85% of what was budgeted for commodities was uncommitted), the PACD was extended on February 27, 1984, for one year to September 30, 1985. The tours of the four long-term advisors were also extended one more year to help improve the planning for commodity delivery to the target population and to achieve a wider impact of the technical assistance and training on the cooperative movement. An additional 31 pm of consultant services of the type previously provided were added. New advisory services were provided in the areas of truck fleet maintenance, planning, primary cooperative society training, other general consultancy services, and a study of the cooperative structure. Therefore, in March 1984, the ACDI agreement was amended again, primarily to increase the amount of technical assistance from 115 to 205 pm.

A table depicting all the changes made to the ACDI technical assistance agreement can be found as Attachment A.

On May 28, 1985, the LOP was extended for a second time (for 11 months to August 31, 1986) to (a) extend the credit advisor; (b) extend the ACDI Cooperative Agreement; (c) provide enough time to procure a second tranche of 11,000 bicycles; and (d) provide additional time for one participant trainee to complete a doctorate degree.

On July 27, 1985, a coup-d'etat led to a change in the government of Uganda. As a result of the insecurity created by this event, USAID's staff as well as the project's entire technical assistance staff were evacuated from Uganda. Minimal Mission activities were carried out by a skeleton USAID staff through January 1986. Between the July coup and the end of the year, 8 MT of urgently needed vegetable seeds were delivered to UCCU. Some of the 11,000 bicycles en route to Uganda were held in Kenya. All other project procurement actions were either suspended or canceled.

On January 26, 1986, a civil war brought another government to power. Security returned almost immediately to the country and USAID resumed full operation shortly thereafter. In March, the remaining bicycles in Kenya were delivered to UCCU. To address the resettlement and rehabilitation problems as well as make up for the almost eight months that the project was inactive, the project completion date was extended one more year, to September 30, 1987 (see the April 24, 1986 action memorandum approved by the USAID Director). A revised financial plan was also approved, reallocating the remaining contingency and inflation monies (\$800,000) to commodities.

USAID, in consultation with AID/W and REDSO, developed a revised program approach in January (see Kampala 660, State 62924, State 44547, and Kampala 1370) for assistance to Uganda to be consistent with the country's current priority needs centered on resettlement and rehabilitation. Many people who had been displaced from their homes for years are now returning with little or no resources. The areas affected and the people's needs are urgent. Emergency relief efforts have already been launched by the GOU and donors.

The overall program plan developed by the Mission has priority for U.S. assistance to supply commodities to farmers identified in the GOU's Emergency Resettlement and Rehabilitation Program. Except for assistance in agricultural research, the GOU has expressed less interest in technical assistance and institution building in the short to medium term. The Food Production Support Project has been identified as an appropriate avenue for importing urgently needed agricultural inputs for medium term needs in the war damaged, high priority resettlement and rehabilitation areas.

III. Detailed Project Description

A. Goal and Purpose

This PP amendment does not change the original project goal and purpose. The goal of the project continues to be to rehabilitate the agricultural sector in Uganda so that small farmers can increase agricultural production and their incomes through more productive employment. The purpose of the project continues to be 1) to increase agricultural production, especially food production, by supplying Uganda's small farmers with farm implements and other inputs and 2) to rehabilitate the cooperative movement so that it can resume essential services in support of small farmers. The situation in Uganda is similar to when the FPS project began in 1981. The country is again recovering from a period of insecurity and war which has led to an acute shortage of both foreign exchange and farm production inputs.

However, this amendment does involve a change in emphasis in that its primary focus is the achievement of the first purpose listed above, the supply of agricultural inputs. This is justified on two counts. First, the Uganda Central Cooperative Union (UCCU) has now become more efficient in distributing commodities, particularly as a result of the technical assistance and training provided by this project. Second, in the short to medium term, both the GOU and USAID believe that commodity supply should take precedence over institution building. Thus, in the current and future implementation of this project, greater emphasis will be placed on supplying small farmers with farm implements and other inputs through various suppliers to support increased agricultural production.

B. Emergency Water Supply and Sanitation Component

One reason for this PP amendment is to include an emergency water supply and sanitation component. While this component fits within a broad interpretation of the project goal or purpose, it is a new project activity and is not a carry-over from the original project activities. During the period of hostilities 1983-84 the Luwero Triangle (Luwero, Mubende and Mpigi districts) was almost completely devastated. The infrastructure was destroyed, public buildings damaged and looted, the population moved, relocated and thousands killed. Today it is a safe area and many thousands are finding their way home to the area. The new government has specifically invited donor agencies to propose emergency projects where they can best help the returning people. UNICEF, because of its unique ability to provide new borehole drilling equipment, was requested to join the emergency program in the area of essential rural water supply and sanitation facilities. In March 1986, UNICEF formulated an action plan and identified a project area that runs approximately 50 Km. north and south of Luwero town along the Bombo road.

This area was the worst hit by the military operation and traditionally the most densely populated area of the triangle. The plan includes, among other things, installing 375 new boreholes, rehabilitating 30 existing boreholes, protecting 40 springs, providing sanitation facilities and establishing a self sustaining, community based handpump maintenance system. The total program was costed out to be \$2.1 million. UNICEF, in turn requested funding from other donors. Sweden responded with \$1.0 million, Australia furnished \$.3 million and the GOU is providing equivalent to \$.2 million. In view of the guidance given in State 62924 (Uganda Program Guidance) and in an attempt to be responsive to the GOU resettlement and rehabilitation efforts, the Mission decided to utilize the existing Food Production Support Project as the vehicle to provide emergency assistance. On May 9, 1986 the Mission concluded negotiations and executed a grant with UNICEF to provide \$200,000 of a planned \$600,000 towards financing a portion of the foreign exchange requirement of the emergency rural water supply and sanitation project. The \$200,000 was provided from remaining funds in the FPSP project and the additional \$400,000 was to be provided when and if funds were available. \$400,000 are budgeted from the \$3.0 million provided by this project paper amendment. (Copies of the UNICEF Program description are available in USAID/Kampala and REDSO/Nairobi).

C. Inputs

1. Commodities

The commodity component of this project amendment will provide steel for manufacturing agricultural implements, finished agricultural implements, processing equipment for manufacturing agricultural implements, seeds, water system materials and equipment, and other miscellaneous agricultural inputs. This amendment will provide \$2,580,000 for direct procurement by private sector manufacturers, the Ministry of Cooperatives and Marketing, and UNICEF (for the Rural Water and Sanitation Program discussed above). Over 86 percent of the \$3 million provided by the amendment is allocated to commodity procurement.

In particular, the need for farm productive inputs is especially critical in areas that have been disturbed by the past guerrilla war and the recent civil war. As a result the GOU wants most donor agricultural commodity assistance to be directed towards farmers in these areas. They are also interested in donors using the most effective and efficient means of distributing these commodities. Most of the same type of commodities as previously purchased by the project will continue to be financed. Farmers in war damaged areas will now be the primary target group of this project.

Although all basic farm implements continue to remain scarce, pangas and hoes have been identified by the GOU as two agricultural implements of highest priority for small farmers. These items are at the top of the list of agricultural requirements in the GOU's Emergency Relief and Rehabilitation Program. However, in keeping with the project's original intent of supporting Ugandan private sector manufacturing activities, the majority of funds contained in this amendment for providing hoes and pangas will be allocated to import raw materials (e.g., steel) by private sector Ugandan manufacturers for the production of these implements rather than to purchase finished

implements. One desirable aspect of project implementation to date has been the support of local manufacturing enterprises as opposed to the import of finished products which is a stated objective of the GOU. Local manufacturers, through the CIP procedures will purchase steel and processing equipment to manufacture the implements.

However, because of the urgency of the emergency program and since local manufacturers cannot meet the demand in a timely fashion, the project anticipates using \$200,000 to import finished hoes. This procurement will be made by the Ministry of Cooperatives and Marketing. It is anticipated that an additional 400,000 hoes and 100,000 pangas will be made available from the steel and other raw materials imported local firms with funds made available by this amendment.

Additionally, based on discussions with local manufacturers, it has been determined that processing facilities currently need various amounts of new and replacement processing plant equipment. Therefore, agricultural implement processing equipment will be eligible for financing under this amendment. In total, \$1.6 million will be allocated to the procurement of this equipment and steel as well as other raw materials used in production of hoes, pangas, slashers, wheelbarrows, oxploughs, etc.

This amendment also provides \$560,000 for seed imports, another critical category of commodities previously imported under the original project. The increase in funds made available for seed procurement by this amendment over last year's funding level is due to increased and more diversified needs expressed by the GOU. While last year's procurement consisted solely of vegetable seeds, this year it will be necessary to import both vegetable seeds and various other types of grain seeds. This procurement will also be made, as before, by the Ministry of Cooperatives and Marketing.

Finally, this amendment provides \$400,000 for commodities to be procured and utilized by UNICEF for the Rural Water and Sanitation Program in the Luwero Triangle.

2. Technical Assistance

Technical assistance will continue to be provided in support of the project's credit activity which began in 1983. Small farmers throughout the country still need production credit. Thus, they will remain the target population of the credit program. The only remaining long-term technical advisor, the ACDI Credit Advisor returned on March 5, 1986, after an absence of almost eight months. He has worked in Uganda almost 3 years and during an additional year, he will continue his work on the establishment of the Uganda Agricultural Finance Agency (UAFA). In June 1985, a committee chaired by the Director of the Development Finance Department of the Bank of Uganda (BOU) completed a draft proposal for the establishment of the UAFA under the provisions of the Companies Act of Uganda. This institution is being created by the Ministry of Cooperatives and Marketing and the Bank of Uganda with the participation of commercial banks to extend credit through cooperatives to small farmers. On March 27, 1986 the Management Committee of the BOU sanctioned renewed efforts to establish the UAFA. The UAFA is the subject of a new FPS Grant Agreement covenant. The Credit Advisor will participate in the drafting of the organizational structure, charter, by-laws and help implement start up

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operations. ACDI is also providing three short term advisors to prepare operations manuals, evaluate and plan institutional arrangements, and design credit delivery systems for UAFA. In addition, up to 6 person months of consultancy services will be funded as needed to assist in UAFA implementation.

3. The GOU Contribution

Uganda is on the list of 25 relatively less developed countries (RLDC's). However, throughout the LOP the GOU's contribution was calculated to exceed 25% of the total project costs and a waiver was not needed. The GOU contribution of about \$660,000 during the remaining life of the project is about the same in relation to total costs as for the previous years. Of this contribution, \$400,000 is related to costs associated with receiving, storing, transporting and distributing the AID financed goods to the farmers. They will provide about \$10,000 in local currency support to the technical assistance component of the project. In addition to the elements listed above, the GOU will, under the project extension, provide \$200,000 to the Luwero District water and sanitation program through the Ministries of Water and Mineral Resources, Cultural and Sports, and Health. Not included in the GOU contribution, is the contributions that the GOU will make to the Uganda Agricultural Financing Agency (UAFA) in the form of capital contribution. This contribution has not been included because the amount has not yet been determined. However, with the inclusion only of the GOU contribution known at this time, the GOU contribution continues to be the same as throughout the project, about 27% of total costs.

D. Outputs

1. Commodities

The commodity component of the project will render the following outputs as outlined in column two below:

<u>COMMODITY</u>	<u>AMOUNT PROCURED</u>	<u>PLANNED</u>
	<u>TO-DATE</u>	<u>PROCUREMENT</u>
	<u>(\$000)</u>	<u>(\$000)</u>
1. Steel/Hoes/Pangas Production Equipment	1,140	1,600
2. Vehicles/Spare Parts	503	0
3. Bicycles/Spare Parts	1,340	0
4. Seeds	840	560
5. Warehouse Equipment	160	0
6. Water Program Equipment	200	400
7. Miscellaneous	80	20
8. Other Commodities	337	0
TOTAL	<u>4,600</u>	<u>2,580</u>

2. Technical Assistance

The establishment of the Uganda Agricultural Finance Agency (UAFA) will be completed through the assistance of the ACDI Credit Advisor (13 more person months), three short-term advisors (9 person months) and an additional 6 person months of consultancies.

3. UNICEF Rural Water Supply and Sanitation Project

Rehabilitation of rural water supplies and sanitation facilities in many war damaged areas is one of the most important prerequisites to enable returning families to resettle and begin farming again. In support of the clean water component of the new government's Emergency Relief and Rehabilitation Program, some equipment (\$600,000 for hand pumps, borehole casings, drilling bits, pneumatic hammers, etc.) will be purchased to support UNICEF's borehole drilling program in the Luwero Triangle. This program is being implemented by UNICEF and the GOV ministries of Water and Mineral Resources, Culture and Sports, and Health. In the action memorandum signed by the USAID Director on April 24, 1986, the FPS project provided \$200,000 for UNICEF's project, the balance, \$400,000 will be provided by this amendment UNICEF will procure the equipment through a Letter of Credit.

UNICEF had been working on a borehole rehabilitation and hand pump maintenance program in Uganda since 1981. UNICEF used government drilling and pump repair crews but paid incentives based on the number of boreholes completed and hand pumps replaced. The necessary equipment including servicing rigs was supplied by UNICEF. However, much of UNICEF's equipment was destroyed during the recent fighting.

UNICEF also set targets for new borehole drilling. Four Halco rigs were ordered for the project and Ugandan drillers were trained. Expatriate staff was kept to a minimum and served as project advisors who were available to solve technical problems. New boreholes drilled were in excess of the target of 240 per year despite unfavorable drilling conditions and extended equipment breakdown. UNICEF attributed its success to incentive programs that paid each drill team based on the depth of borehole drilled. Ten-hour days became the norm and double shifts were common. The average cost per borehole drilled in 1984 was \$5,845.

UNICEF has diverted much of its equipment to support its work in the Luwero area including the four drilling rigs. However it will need additional lorries, 4-Wheel Drive vehicles, handpumps, cement, re-bar, casing and field equipment. Project staff incentives will continue. AID is funding \$600,000 of the approximately \$2.1 million cost. UNICEF has set some ambitious targets. By the end of the six months program they expect to provide 90,000 people with safe water supplies by drilling 375 new boreholes, rehabilitating 30 existing boreholes, and protecting 40 springs, maintenance and sanitation programs.

During preparation of this PP amendment, USAID/Kampala discussed progress to date on this project with the local UNICEF representative and with the Water and Sanitation For Health (WASH) team currently in Uganda. The UNICEF representative reported that excellent progress was being made. As of June 19, 1986: 80 new boreholes have been completed with hand pumps installed, 30 old boreholes rehabilitated and new hand pumps installed, 8 springs in different stages of construction, 8 village hand pump mechanics in training, and 8 demonstration latrines constructed. The WASH team visited the project site and reported very favorable impressions of the project. They foresee no reason why the project will not progress as scheduled. The UNICEF project administration is experienced, highly qualified and they are using excellent equipment.

E. Local Currency Generation and Use

There are two sources of local currency generations during implementation: First, importers will be required to deposit local currency in an amount equivalent to the foreign exchange allocation provided to them into the Special Account kept at the Bank of Uganda at the time that the foreign exchange allocation is approved and an import license is granted.

Uses of the Special Account funds have been and will continue to be decided upon by both USAID and the MCM. In the past, these funds were used for the rehabilitation of district farm institutes, to support in-service staff training and to support the Charcoal Briquette Project. It was also agreed that some funds would be used to finance monitoring and audit team cost. By October 1984, about US\$ 44 million were expended for these purposes. The Special Account has a current balance of approximately US\$ 330 million. Almost US\$ 13 billion may be generated from this PP amendment (using the most favorable exchange rate at this time of US\$ 5,000 to the dollar).

It is now anticipated that the MCM will use some local currency from the Special Account to purchase locally certain types of seeds from sources such as the Karamoja Seed Scheme. Also, the MCM will use Special Account funds (with USAID's concurrence) to procure farm inputs, such as hoes and pangas for distribution in war-damaged areas. But the primary use of the Special Account funds will be to provide seed capital for UAFA. This has already been agreed to by USAID and the MCM.

The second source of local currency is the FPS financed agricultural inputs to the farmers. Proceeds from the sale of these funds will be used to provide a revolving fund that will be used to fund community rehabilitation and development activities (e.g., maintenance of roads and water pumps) developed by the NRCs. These funds may also be used by MCM to purchase finished agricultural inputs to be sold to the farmers, thus replenishing the revolving fund. Detailed procedures for working with NRCs are being developed by USAID and other NGOs such as OXFAM. Again, such locally based initiatives will foster broad participatory development and strengthen the foundation for transition from rehabilitation to development assistance in the future.

IV. Implementation and Distribution

A. Procurement

1. Private Sector Import Procedures

Raw Materials, agriculture implements, and manufacturing/processing equipment
- The foreign exchange necessary to import raw materials for the production of hoes, pangas and other agriculture implements, plus manufacturing or processing equipment will be made available to private sector manufacturers through the commodity import component of this project. Procurement will follow AID Regulation One guidelines. As such, individual manufacturers are responsible for applying for available foreign exchange and for the procurement, processing and wholesale marketing of all products.

USAID/Kampala in coordination with REDSO/RCMO is responsible for implementing the following series of activities for the private sector import component:

- (1) Preparation of the CPI (Commodity Procurement Instructions) specifying the types of raw materials and implements eligible for financing, to be attached to the initial procurement PIL. Assistance can be obtained from the RCMO.
- (2) Working with the Ministry of Cooperatives who would review individual importers' requests for available foreign exchange allocations and to pass those requests on to USAID Kampala for concurrence.
- (3) Working with the Ministry to maintain the "Special Account" with the Bank of Uganda.
- (4) Assisting the counterpart to prepare financing requests (AID Form 1130-2) for submission to USAID/Kampala once importers have contracted for the supply of raw materials and implements. Since it is anticipated that there will be relatively few transactions evolving from this program it is suggested that AID Direct Letters of Commitment be used to pay raw material suppliers. USAID/Kampala will be responsible for requesting RFMC to issue the Letters of Commitment and for providing RFMC with copies of the Financing Request signed by the Government of Uganda, and copies of the importer's supply contract with the selected supplier.

2. Host Country Contracting

Commodities such as seed and finished implements will be purchased by the Ministry of Cooperatives. All procurement will be initiated by the preparation of a procurement PIL, to be prepared by USAID/Kampala. USAID/Kampala and REDSO/ESA will be available to assist the purchaser with preparation of the solicitation documents and advertising.

B. Distribution and Sale

The Ministry of Cooperatives is responsible for coordinating commodity distribution activities to the farmers to the extent possible.

Distribution and Sale of commodities such as finished implements or seeds which are procured directly by the Ministry under host country contracts will be the responsibility of the Ministry. For these commodities it is anticipated that the Ministry will select either the UCCU, other GOU ministries or one of the existing NGO's to handle distribution.

However, the Ministry is limited in its involvement with the distribution of commodities which are produced in Uganda by private sector manufacturers. Inasmuch as private sector manufacturers are free to market finished hoes, pangas and implements using standard commercial marketing practices, the Ministry will be able to coordinate distribution for only those finished commodities which are purchased from the manufacturers by the Ministry.

Once commodities are procured by the Ministry using Special Account funds the Ministry can select the most appropriate channel of distribution and sale. It is anticipated that the UCCU will be used to distribute and sell commodities whenever possible since the organization's distribution network includes cooperatives as well as private retail outlets in the rural areas.

It may be necessary to use alternative distributors in some war damaged areas where the cooperative system and commercial distributors are weak or non-existent. The situation in the war damaged areas is fluid. To be successful at reaching the needy, this project must have a reasonable amount of implementation flexibility. While it was originally envisioned that the project purpose (supplying farm implements to farmers) would be accomplished through cooperatives, this did not preclude distribution by other means if necessary, to assure that inputs get to small farmers. Since the original Project Authorization refers to the cooperative movement as the only input/service distribution mechanism, the Authorization is being amended to permit use of distribution means other than cooperatives. This is consistent with the project purpose and will enable the Project to reach the target population in a timely and effective fashion.

The Ministry could consider distribution via one of the eight or ten NGOs, or through locally based community action organizations such as the National Resistance Committees (NRCs) since these organizations have already proven to be useful in guiding delivery of assistance to these regions at the village level.

Commodities can be consigned by the Ministry to any viable distributor or organization operating in a war damaged area. Family self-sufficiency kits have already been distributed through NGOs with the help of the NRCs. The self-sufficiency kits contain commodities similar to those being financed by this amendment. The Government has endorsed this system for the OFDA-supported Disaster Assistance Program. Since most of the commodities financed by this project will arrive after the current relief efforts have taken place and since distribution will not begin until after the next crop season, it is anticipated that farmers will be in the position to purchase commodities.

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C. Reports

The reporting requirements under this proposed extension are the same as required by the original and amended Grant Agreement and as specified in Implementation Letters. The only additional reporting requirements are those stated in the Grant No. 617-0102 Emergency Rural Water Supply and Sanitation Project, executed between the representative of the United Nations International Children's Fund and the Mission Director, USAID/Kampala.

D. Project Administration

On the GOU side, the Ministry of Cooperatives and Marketing continues to be the host country implementing agency and the Agriculture Development Officer is the Project Officer within the Mission. Over the past five years a good working relationship has been developed and it is expected to be even better during the remaining LOP because of the new government. There has been changes in the MCM personnel, but generally on the working level, the same staff remains in office.

E. Evaluation

Currently an evaluation is scheduled for March 1987. With the extension of the project to September 1988, the March 1987 evaluation will be rescheduled to September 1987. Therefore, the evaluation will be performed when the extension is about fourteen months into implementation, after the bulk of the commodities should have been delivered and twelve months before the extension is scheduled to terminate.

F. Project Monitoring

With the initiation of the extension and additional funding provided by this amendment, the GOU and USAID will develop a more comprehensive monitoring system than was used in the past. In addition to receiving reports for all project financed commodities and a distribution plan, procedures will now be developed to include the end use check of commodities to be distributed to the farmers. This will probably be accomplished by contracting with a local audit firm or through a personal service contractor. The development and execution of the monitoring plan is the subject of a new covenant in the amended Grant Agreement and will be detailed in an Implementation Letter.

G. Covenants

Two additional Covenants are included:

1. Monitoring System

The GOU and USAID will develop a system for monitoring the delivery of project financed goods to small farmers. This system will include, but not be limited to; (a) commodity receiving reports at the time that the commodities arrive in the country; (b) commodity distribution plans, developed prior to distribution; and (c) end use checks after commodities have been distributed to small farmers. This monitoring system developed by the GOU and USAID will be the subject of an Implementation Letter.

2. Establishment of the Uganda Agricultural Financing Agency

The GOU will ensure that the (UAFPA) is registered as a limited liability company under the provisions of Uganda's Company Act. The USAID/GOU local currency capital contribution from the Special Account, will be treated as a grant to the private equity shareholders of UAFPA on a one to one matching basis tied to paid up share capital. In the event that there is a temporary shortfall in the paid up equity share capital of the private shareholders of UAFPA, the GOU through the Bank of Uganda will make up the deficit, pending repayment by the private equity shareholders of these funds advanced by the Bank of Uganda on their behalf.

ACDI COOPERATIVE AGREEMENT CHANGES BY MAJOR ELEMENTS

AGREEMENT	--COMMODITIES ¹ --		--TECHNICAL ASSISTANCE ² --				--TRAINING--		TOTAL ³ (\$000)
	Amount (\$000)	% of Total	Amount (\$000)	% of Total	Person Mo. L/T S/T		Amount (\$000)	% of Total	
Original (May 18, 1982)	140.1	11%	478.1	37%	18	31	461.3	36%	1,291.5
Amendment #1 (April 9, 1983)	60.0	6%	505.3	54%	43	23	232.6	25%	937.1
Amendment #2 (March 12, 1984)	39.2	3%	664.1	49%	48	42	487.4	36%	1,364.9
Amendment #3 ⁴ (August 19, 1985)	-16.1	-16%	217.5	211%	12	10	-150.4	-146%	102.9
TOTAL	223.2	6%	1,865.0	50%	121	106	1,030.9	28%	3,696.4
Proposed Amendment:	25.0	11%	159.8	70%	13	17	0.0	-	229.7

¹ACDI related only

²Includes travel and transportation

³Includes other costs

⁴Some of these values are negative due to reductions in these line items.

ANNEX B

Detailed Cost Estimate of A.I.D. and Ugandan Contributions
by Fiscal Year
 (U.S. \$000)

CATEGORY	FY 82		FY 83		FY 84		FY 85		FY 86		FY 86/87		TOTAL	
	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU
<u>1. Commodities</u>														
a. Steel/Hoes/Pangas Production Equip.	419	-	401	-	197	-	35	-	472	-	1,600	-	3,123	-
b. Vehicles/Spare Parts	33	-	20	-	125	-	315	-	10	-	-	-	503	-
c. Bicycles/Parts	-	-	671	-	-	-	-	-	670	-	-	-	1,341	-
d. Seeds	106	-	345	-	-	-	188	-	200	-	560	-	1,398	-
e. Warehouse Equip.	-	-	-	-	-	-	-	-	160	-	-	-	160	-
f. UNICEF Water Program	-	-	-	-	-	-	-	-	200	-	400	200	600	200
g. Miscellaneous	18	-	-	-	-	-	63	-	-	-	20	-	100	-
h. Motorcycles/Parts	-	-	302	-	-	-	-	-	-	-	-	-	302	-
i. Office Equip/Supplies	35	-	-	-	-	-	-	-	-	-	-	-	35	-
j. Distribution	-	75	-	100	-	100	-	100	-	00	-	50	0	52
k. Storage	-	-	-	50	-	25	-	25	-	50	-	50	0	20
m. Transport	-	-	-	100	-	100	-	200	-	50	-	50	0	50
<u>2. Wages</u>	-	250	-	500	-	500	-	500	-	250	-	250	0	2,250
<u>3. Technical Assistance</u>	-	-	673	50	662	50	811	75	326	25	228	10	2,700	210
<u>4. TA Housing/Support</u>	18	-	32	-	39	-	77	-	55	-	-	-	220	-
<u>5. Training</u>	23	5	353	150	330	125	61	30	250	125	-	-	1,017	43
<u>6. Training Equip/Supplies</u>	22	-	67	-	34	-	100	-	-	-	-	-	223	-
<u>7. Evaluation/Review</u>	-	-	-	-	-	-	-	-	84	-	-	-	84	-
<u>8. Contingency/Inflation</u>	-	-	-	-	-	-	-	-	-	-	192	50	192	50
TOTAL	673	330	2,863	950	1,387	900	1,650	930	2,427	600	3,000	1,960	11,999	4,370

TOTAL PROJECT COST: 16,369^a

^aSweden is contributing \$1.0 million and Australia \$300,000.

Third Revised Implementation Schedule
(From May 1986)

<u>Action</u>	<u>Agent(s)</u>	<u>Estimated Completion Date</u>
(a) Sign \$200,000 sub-grant agreement with UNICEF to fund commodities for water program	USAID, UNICEF	May 14, 1986
(a) CN expires	AID/W	June 19, 1986
(c) Approve PP Amendment, obtain concurrence, and amend Project Authorization	USAID, REDSO/ESA	June 30, 1986
(d) Forward PIO/Cs for warehouse equipment, and bicycles	USAID, REDSO/ESA	June 30, 1986
(e) Order panga manufacturing equip. & supplies	SEngineering	June 30, 1986
(f) Sign Grant Agreement and obligate \$3 million	USAID, GOU	July 15, 1986
(g) Cabinet ratifies UAFA as legal entity, approves BOU's role in its organization and implementation	GOU, BOU, MCM	July 31, 1986
(h) Procure local seeds	UCCU, USAID	July 31, 1986
(i) Amend ACIDI Coop Agrmt to extend Credit Advisor one more year	USAID, ACIDI, REDSO/ESA	July 31, 1986
(j) Panga manufacturing equip. & supplies received	SEngineering	July 31, 1986
(k) Order \$200,000 worth of hoes	USAID, REDSO/ESA	July 31, 1986

<u>Action</u>	<u>Agent(s)</u>	<u>Estimated Completion Date</u>
(l) Commercial banks, apex coop unions, district coop unions obtain authorization to purchase subscriptions of UAFA equity shares & choose reps for Board of Directors	commercial banks, MCM, BOU	Aug 31, 1986
(m) Complete UAFA TA tasks on planning, operations manuals, and systems design	ACDI, USAID, BOU	Sept 15, 1986
(n) Imported hoes received	UCCU, NGOs	Sept 15, 1986
(o) Registration of UAFA as corp. under Companies Act	BOU, MCM, GOU	Sept 30, 1986
(p) Hold Inaugural meeting of UAFA Board of Directors	UAFA	Oct 15, 1986
(q) Awards made for commodity purchases and LCOMs opened	GOU, USAID, REDSO/ESA	Oct 31, 1986
(r) Complete financial review of loc. curr. special accts.	Deloit, Haskins & Sells, USAID	Oct 31, 1986
(s) Warehouse equipment and bicycles received	UCCU	Oct-Nov 1986
(t) Commodities procured for resettlement & rehab. program arrive in-country	MCM, importers	Jan '87-Sept '88

PROJECT GRANT AGREEMENT

Between

THE REPUBLIC OF UGANDA ("GRANTEE")

And

THE UNITED STATES OF AMERICA

Acting Through

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

For

The Food Production Support Project (617-0102)

A M E N D M E N T NO. 4

1. The Project Grant Agreement entered into on September 16, 1981, between the Republic of Uganda and the United States of America for the Food Production Support Project (617-0102) as amended on November 20, 1981, August 26, 1982, and May 22, 1985 respectively, is hereby further amended to provide an additional amount of grant funding to the Republic of Uganda of not to exceed Three Million United States ("U.S.") Dollars (\$3,000,000) in order to finance an expansion of the activities to be carried out under the Project and to make additional changes in the Project Grant Agreement as indicated below. The funds granted by this Amendment shall be used in accordance with all of the terms and conditions of the Project Grant Amendment of September 16, 1981, as amended by this and previous amendments thereto.
2. The Project Grant Agreement as amended, is hereby further amended as follows:
 - A. The Title Page is amended as follows:
 1. Item 3, Amount of AID Grant is revised by deleting the words and figures "Up to \$5,000,000" and substituting therefor "11,999,000."

2. Item 4, Grantee Contribution to the Project, is revised by deleting "See Annex A, para 3(d)", and substituting therefor \$4,370,000.
3. Item 5, Project Assistance Completion Date, is revised by deleting the date September 30, 1984 and substituting therefor September 30, 1988.

B. Annex A, Project Description, is revised as follows:

1. Paragraph 3 is amended by:

- a) Deleting at the end of the second sentence thereof the figure "\$5,000,000", substituting therefor the figure "\$11,999,000".
- b) Adding immediately after the second sentence the following sentence: "The funding provided by this Agreement, as amended through Amendment No. 3, dated May 22, 1985, (\$11,999,000) will be used to finance the following:"
- c) Adding at the end of subparagraph (c) thereof the following: "The funding provided by this Amendment No. 4 to the Agreement, will be used to finance the following commodity and service activities.

Steel/Hoes/Pangas Production Equipment	1,600,000
Luwero water program equipment & supplies	400,000
Seeds	560,000
Miscellaneous	20,000
Technical Assistance	228,000
Contingency	<u>192,000</u>
TOTAL	\$3,000,000

- d) Subparagraph (d), Detailed Cost Estimate of A.I.D. and Ugandan Contributions, is deleted in its entirety and the following substituted therefor:

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Detailed Cost Estimate of A.I.D. and Ugandan Contributions
by Fiscal Year
(U.S. \$000)

CATEGORY	FY 82		FY 83		FY 84		FY 85		FY 86		FY 86/87		TOTAL	
	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU	AID	GOU
<u>1. Commodities</u>														
a. Steel/Hoes/Pangas Production Equip.	419	-	401	-	197	-	35	-	472	-	1,600	-	3,123	-
b. Vehicles/Spare Parts	33	-	20	-	125	-	315	-	10	-	-	-	503	-
c. Bicycles/Parts	-	-	671	-	-	-	-	-	670	-	-	-	1,341	-
d. Seeds	106	-	345	-	-	-	188	-	200	-	560	-	1,398	-
e. Warehouse Equip.	-	-	-	-	-	-	-	-	160	-	-	-	160	-
f. UNICEF Water Program	-	-	-	-	-	-	-	-	200	-	400	200	600	200 ^a
g. Miscellaneous	18	-	-	-	-	-	63	-	-	-	20	-	100	-
h. Motorcycles/Parts	-	-	302	-	-	-	-	-	-	-	-	-	302	-
i. Office Equip/Supplies	35	-	-	-	-	-	-	-	-	-	-	-	35	-
j. Distribution	-	75	-	100	-	100	-	100	-	100	-	50	0	525
k. Storage	-	-	-	50	-	25	-	25	-	50	-	50	0	200
m. Transport	-	-	-	100	-	100	-	200	-	50	-	50	0	500
<u>2. Wages</u>	-	250	-	500	-	500	-	500	-	250	-	250	0	2,250
<u>3. Technical Assistance</u>	-	-	673	50	662	50	811	75	326	25	228	10	2,700	210
<u>4. TA Housing/Support</u>	18	-	32	-	39	-	77	-	55	-	-	-	220	-
<u>5. Training</u>	23	5	353	150	330	125	61	30	250	125	-	-	1,017	435
<u>6. Training Equip/Supplies</u>	22	-	67	-	34	-	100	-	-	-	-	-	223	-
<u>7. Evaluation/Review</u>	-	-	-	-	-	-	-	-	84	-	-	-	84	-
<u>8. Contingency/Inflation</u>	-	-	-	-	-	-	-	-	-	-	192	50	192	50
TOTAL	673	330	2,863	950	1,387	900	1,650	930	2,427	600	3,000	1,960	11,999	4,370

TOTAL PROJECT COST: 16,369

^aSweden is contributing \$1.0 million and Australia \$300,000

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- C. Paragraph 4, Special Provisions, (e) special Covenants, the parties agree that the following covenants are added:

1. Monitoring System

The GOU and USAID will develop a system for monitoring the delivery of project financed goods to small farmers. This system will include, but not be limited to; (a) commodity receiving reports at the time that the commodities arrive in the country; (b) commodity distribution plans, developed prior to distribution; and (c) end use checks after commodities have been distributed to small farmers. This monitoring system developed by the GOU and USAID will be the subject of an Implementation Letter.

2. Establishment of the Uganda Agricultural Financing Agency

The GOU will ensure that the (UAFA) is registered as a limited liability company under the provisions of Uganda's Company Act. The USAID/GOU local currency capital contribution from the Special Account, will be treated as a grant to the private equity shareholders of UAFA on a one to one matching basis tied to paid up share capital. In the event that there is a temporary shortfall in the paid up equity share capital of the private shareholders of UAFA, the GOU through the Bank of Uganda will make up the deficit, pending repayment by the private equity shareholders of these funds advanced by the Bank of Uganda on their behalf.

- D. Annex C, Project Agreement Standard Provisions Annex (applicable to commodity import and related services), is amended as follows:

(A) Section 3.03, Terminal Date for Requests for Disbursement Authorization, is revised by deleting "twenty-four (24) months from the date of signing this agreement," and substituting therefor, "June 30, 1988".

(B) Section 3.04, Terminal Date for Disbursement, is revised by deleting "thirty-three (33) months from the date of signing this agreement, " and substituting therefor, "March 31, 1989."

- E. Except as modified herein, the Project Agreement as amended remains in full force and effect.

- F. IN WITNESS WHEREOF, the Republic of Uganda and the United States of America, each acting through its duly authorized

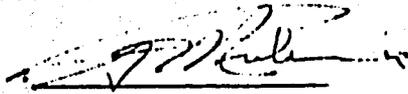
0901D

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representative, have caused this Amendment to be signed in their names and delivered as of the day and year of the last signature below.

3. REPUBLIC OF UGANDA

By

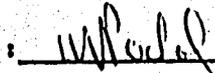


Title: Minister of Finance

Date : 27-7-86

UNITED STATES OF AMERICA

By



Title: USAID Director

Date : 29-7-86

Appro: 72-1161021.3

B.P.C.: GDAA-86-21617-AG13

Reservation Control No.: U600317

UNITED STATES OF AMERICA
 AGENCY FOR INTERNATIONAL DEVELOPMENT
 U.S.A.I.D. MISSION TO UGANDA

UNITED STATES POSTAL ADDRESS
 USAID/KAMPALA
 AGENCY FOR INTERNATIONAL DEVELOPMENT
 WASHINGTON, D.C. 20523

INTERNATIONAL POSTAL ADDRESS
 P. O. BOX 7007
 KAMPALA, UGANDA.

May 9, 1986

Mr. Cole P. Dodge
 Country Representative
 United Nations International Children's Fund
 P.O. Box 7047
 Kampala, Uganda

Dear Mr. Dodge:

Subject: Grant No. 617-0102
 Emergency Rural Water Supply
 and Sanitation Project

1. I am pleased to inform you that, pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Government of the United States of America, acting through the Agency for International Development (hereinafter referred to as AID) hereby grants to the United Nations International Children's Fund (hereinafter referred to as "UNICEF" or "the Grantee"), the first increment of funding in the sum of two hundred thousand United States Dollars (US\$200,000), to be used for support of an Emergency Rural Water Supply and Sanitation Project for Uganda, a joint undertaking of UNICEF, the Government of Uganda and AID. Specific program activities to be financed with funds provided under this grant are more fully described in Attachments A and B.
2. AID's support to the program activities described in Section VI of Attachment A will be provided in increments, the initial increment being made available in accordance with paragraph 1, above. Subsequent increments of grant funding will be made available subject to the availability of funds to AID for this purpose, and to the mutual agreement of AID and UNICEF, at the time of a subsequent increment, to proceed. It is anticipated that, subject to the above, AID's total contribution in support of the program activities under this grant instrument will be six hundred thousand United States Dollars (US\$ 600,000).
3. This grant is effective as of the date this letter is signed and is applicable to commitments made by the Grantee in support of the program during the period through May 9, 1987. Based on agreements reached in the negotiation of this Grant with UNICEF, costs incurred prior to the actual signing of this document are authorized for reimbursement. This determination is made based on the emergency requirement for the

implementation of this activity and the delays encountered in finalizing of this Grant Agreement. Funds disbursed by AID but uncommitted by the Grantee at the expiration of this period shall be refunded to AID.

4. The funds provided by this Grant represent partial support of the costs of those line items specified to receive AID support in Section VI of Attachment A. Grantee agrees to provide its own resources in support of the program activities described in Section II of a value no less than that indicated in the Financial Plan in Section VI of Attachment A. As primary implementing agency for the program activities supported by this Grant, the Grantee agrees to use its best efforts to obtain and coordinate the use of resources required to carry out the program activities which are to be provided by parties other than AID and grantee, recognizing, however, that the grantee cannot guarantee that these resources will be provided in an adequate or timely manner.

5. It is understood that financial records, including documentation to support entries on accounting records and to substantiate charges within this Grant shall be maintained in accordance with the Grantee's usual accounting procedures, which shall follow generally accepted accounting practices. All such financial records shall be maintained for at least 3 years after final disbursement of funds under this Grant.

6. The Grantee confirms that this program will be subject to an independent audit by the Grantee's outside certified or chartered public accountant (see Attachment C) and agrees to furnish copies of these audit reports to AID along with such other related information as (any) be requested by AID with respect to questions arising from the audit report. 14

7. It is understood that the funds granted hereunder shall be disbursed as set forth in Attachment D, (Payment Provisions.)

8. The parties agree that this grant and the activities financed therewith, shall be managed by the Grantee in accordance with its established policies and procedures. The Proposed budget for this Grant is provided in Attachment A.

9. If the use of the Grant funds results in the accrual of interest to the Grantee or to any other person to whom the Grantee makes funds available in carrying out the purposes of this Grant, the Grantee shall refund to AID amount of interest earned.

10. Funds obligated by AID hereunder but not disbursed to the Grantee at the time the Grant expires or is terminated, shall revert to AID, except for funds encumbered by the Grantee by a

legally binding transaction applicable to this Grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to AID. If, at any time during the life of the grant, or as a result of final audit, it is determined by AID that funds provided under this Grant have been expended for purposes not in accordance with the terms of this Grant, the Grantee shall refund such amount to AID.

11. The Grantee shall include provisions in each research grant reserving to AID a ~~F~~oyalty-free irrevocable license to duplicate and use as part of its development programs any research publications development as the result of financing provided under the grant and ensuring that AID is not identified with any publicity resulting from such a grant unless such identification has the prior review and approval of AID.

12. The Grantee shall prepare and submit to AID the required financial and technical reports in accordance with the schedule set forth in Attachment A.

13. This Agreement, in whole or in part, may be terminated by either party at any time upon 30 days written notice. This Agreement may be revised only by the written mutual consent of the parties hereto.

14. Please indicate your acceptance of this Grant by signing the original and three copies of this letter in the space provided below and returning the original and two copies to the Mission Director, USAID/Kampala.

UNITED NATIONS INTERNATIONAL
CHILDREN'S FUND

THE UNITED STATES OF AMERICA

SIGNATURE: _____

SIGNATURE: Irvin D. Coker

NAME: Cole Bezza

NAME: Irvin D. Coker

TITLE: Country Representative

TITLE: Mission Director

DATE: 14/05/1980

DATE: 5/14/80

ATTACHMENTS:

- A. Program Description and Implementation Plan
- B. First Increment AID Budget
- C. Auditing and Procurement Policies:
Paragraph 16C3(2)(b) of AID Handbook 1, Supplement B
- D. Payment Provisions

USAID BUDGET
(U.S. \$000)

ATTACHMENT B

	<u>First Increment</u>	<u>LOP Funding</u>
1. Hand pumps with rods and fittings	67.95	203.85
2. Consumables, spare parts and tires	30.75	92.25
3. Borehole casings	71.10	213.30
4. Drilling bits, pneumatic hammers	11.08	33.25
5. Camping equipment and protective clothing	<u>19.12</u>	<u>57.35</u>
TOTAL	200.00	600.00

AID HANDBOOK 1, Sup B	TRANS. MEMO NO. 1B:7	EFFECTIVE DATE November 30, 1977	PAGE NO. 16-11
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16C3(2)

* * more of the FAA sections (other than Section 301) mentioned are made available from AID directly to an international organization.

(a) When AID is the sole contributor to a project or activity to be carried out by an international organization, then GAO and AID audit rights and AID procurement policies and procedures are applicable, unless waived.

(b) When AID is not the sole contributor to an international organization(s) special project or activity, AID relies on the international organization's auditing and procurement policies and procedures, in keeping with the policy in 16C1a(2).

(c) When AID is a major (i.e., largest) contributor, AID, with the concurrence of the Department of State (IO), may elect to negotiate the application of selected procurement and audit policies with the international organization to protect U.S. interests.

b. When AID procurement requirements apply, as in the case of Section 301(d) grants and non-Section 301 grants that involve AID as a sole contributor, the applicable procurement policy requirements are to be specified in the grant agreement, together with applicable GAO or AID audit requirements, as applicable.

c. Occasionally, AID may, after consultation with the international organization in question, arrange to provide part or all of its grant in kind. In such an event, AID procures the goods or services directly pursuant to AID's procurement policies.

4. Waivers

a. Since AID relies on the auditing and procurement policies and procedures of an international organization for Section 301 grants, except Section 301(d), and non-Section 301 grants where AID is not the sole contributor, waivers of the procurement policies in this Supplement are not required.

b. With respect to Section 301(d) grants and non-Section 301 grants where AID is the sole contributor, waivers of AID procurement policies and GAO or AID audit rights will be considered on a case-by-case basis. * *

* * New Material

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PAYMENT PROVISIONS: LETTER OF CREDIT ADVANCE

- (a) Payment under this grant shall be by means of a Letter of Credit (LOC) in accordance with the terms and conditions of the LOC and any instructions issued by AID's Office of Financial Management, Program Accounting Division (M/FM/PAD). AID currently uses two types of Letters of Credit (LOC): (1) the LOC-Treasury Financial Communication System (LOC-TFCS); and (2) the LOC-Federal Reserve Bank (LOC-FRB), formerly known as a Federal Reserve Letter of Credit (FRLC). M/FM/PAD will determine which LOC type a client will receive based on whether the client's bank has entered into an agreement with the U.S. Treasury on the use of the LOC-TFCS.
- (b) As long as the LOC is in effect, the terms and conditions of the LOC and any instructions issued by M/FM/PAD constitute payment conditions of this grant, superseding and taking precedence over any other provisions of this grant concerning payment.
- (c) Reporting: Fifteen days following the end of each calendar quarter, the Grantee shall submit, to the A.I.D. Mission/Uganda and to M/FM/PAD a report showing for that quarter the cash on hand at the beginning of the quarter plus cash drawn under the LOC during the quarter, the amount of project disbursements, and cash remaining on hand at the end of the quarter. The Grantee will indicate the number of days cash requirements represented by the amount shown as cash remaining on hand.
- (d) Revocation of the LOC is at the discretion of the authorized LOC certifying officer of M/FM/PAD after consultation with the grant officer. Notification of revocation must be in writing and must specify the reason for revocation. FM/PAD shall provide the grant officer a copy of the revocation notice and a recommendation for an alternative method of payment (periodic advance or cost reimbursement) based upon the reasons for the revocation. The grant officer shall immediately amend this agreement to provide for an appropriate alternative method of payment. The recipient may appeal any such revocation to the grant officer.