PDBBE044

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)
Amendment Number: ___
DOCUMENT CODE: 3

2. COUNTRY/ENTITY: UGANDA

3. PROJECT NUMBER: 617-0108

4. BUREAU/OFFICE: AFR 06

5. PROJECT TITLE (maximum 40 characters): RURAL ECONOMIC RECOVERY

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 90

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 86 B. Quarter 4 C. Final FY 86

8. COSTS ($000 OR EQUIVALENT $1 = Ug Shs. 1400)

A. FUNDING SOURCE		FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total		5,297	185	5,482	5,297	185	5,482
(Grant)		(5,297)	(185)	(5,482)	(5,297)	(185)	(5,482)
(Loan)		( )	( )	( )	( )	( )	( )
Other U.S.	1.						
	2.						
Host Country			479	479		3,980	3,980
Other Donor(s)							
TOTALS		5,297	664	5,961	5,297	4,165	9,462

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. 2. Loan	F. LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) FN	900	010		--		5,482		5,482	
(2)									
(3)									
(4)									
TOTALS						5,482		5,482	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each): 040 | 110 | 250 | 140 | 840

11. SECONDARY PURPOSE CODE: 220

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BF	COOP	INTR	PVOU			
B. Amount	3,060	1,120	5,482	3,398			

13. PROJECT PURPOSE (maximum 480 characters)

To support rehabilitation of rural income generating activities by making available, to residents of war-damaged areas in Uganda, both necessary commodities and credit.

14. SCHEDULED EVALUATIONS
Interim MM 03 YY 88 | MM 03 YY 89 | Final MM 07 YY 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☐ 000 ☒ 941 ☐ Local ☐ Other (Specify)

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

17. APPROVED BY
Signature: [signature]
Title: Mission Director
Date Signed: MM 9 DD 22 YY 86

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

ACTION MEMORANDUM FOR DIRECTOR, USAID/KAMPALA

FROM: David McCloud, PDO

SUBJECT: Uganda Rural Economic Recovery Project (617-0108)

Problem

Your approval is requested for a grant of $5,482,000 from the FAA Section 103 appropriation account to Uganda for the Rural Economic Recovery Project (617-0108). It is planned that the total amount of $5,482,000 will be obligated in FY 1986.

Discussion

Current AID strategy in Uganda is to assist with the short to medium term recovery and rehabilitation efforts. Uganda has sustained great damage to its economy over the past 15 years. In particular over the past seven years the country has undergone an extended civil war. This Project is directly relevant to AID's current strategy in that it provides short to medium support to the economic recovery effort specifically in war-damaged areas.

The purpose of this Project is to support the rehabilitation of rural income generating activities by making available, to residents of war-damaged areas in Uganda, both necessary commodities and credit. The long-term goal of the Project is to provide residents of war-damaged areas with the opportunities to rebuild their lives and resume economic growth and development over time. Given the country's wealth of natural and human resources, the potential for growth and development is great. However, few of the implements necessary to the production process are available, and the current savings of returnees are likely to be insufficient to finance the hire and/or purchase of what commodities are available. The Project attempts to overcome these two problems by providing both the necessary commodities and access to credit.

The Project has four major components: (1) the importation of commodities for use by small commercial farmers and other rural entrepreneurs to support the recovery of income-generating activities; (2) the importation of tractors and ancillary equipment for sale through an established distributorship in Uganda; (3) the provision of credit (local currency only) to those farmers and entrepreneurs to purchase their necessary inputs; and (4) the provision of technical assistance for the management and monitoring of commodity procurement and distribution, and of the credit scheme. The procurement and distribution of the commodities referred to in (1) above, and the provision of technical assistance (plus other support goods and services) referred to in (4) above will be conducted under a Cooperative Agreement awarded to an NGO through limited competition. Component (2) above will be implemented by the Ugandan Ford dealership. Finally, component (3) will be implemented by three participating intermediate credit institutions.

Direct beneficiaries of the Project will be approximately 8,000 small-scale farmers and rural entrepreneurs who benefit by the credit scheme, the tractor purchasers, and others in the target areas who purchase commodities which are necessary to the recovery of their income-generating activities. Indirect beneficiaries will be those who make use of tractor hire services introduced by the tractor owners, and those who benefit by the general increase in credit and commercial activity in the Project areas.

By the end of the Project, the income-generating capability of farmers and other small-scale rural entrepreneurs will have been reestablished, commercial trading channels in Project areas will have been improved, and the institutional capacity on the part of participating ICI's for the administration of small-scale rural credit will have been strengthened.

Total costs (including AID financing and local contributions) for the Project are $9,462,000, broken down as follows:

TABLE 1

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

(US $ 000)

Source	AID		Local Contribution		Total
	FX	LC	FX	LC	
A. Technical Assistance	903	--	--	--	903
B. Commodities					
-- Private Sector	1400	--	--	--	1400
-- Coop. Agreement	2100	--	--	--	2100
-- Equipment to NGO office and ICI's	270	--	--	--	270
C. Project Support					
-- NGO Office	--	125	--	284	409
-- NGO Management Costs	271	--	--	--	271
-- ICIs' Operations	--	--	--	1196	1196
-- Loan Capital	--	--	--	2500	2500
D. Evaluation & Audit	70	--	--	--	70
E. Contingency	246	--	--	--	246
F. Inflation	97	--	--	--	97
TOTAL	5357	125	--	3980	9462

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AID financed costs associated with the following will be included as part of the Cooperative Agreement: Techncial Assistance, Commodities (except the private sector component), and Project Support. To convert Ugandan shillings (Ush) to dollars for the purpose of putting the local contribution into a dollar equivalent, the exchange rate of 1400 Ush/ US$ was used.

Total AID financing for the Project will be $5.482 million. Total local contribution for the Project is about $3.98 million, which includes the local currency equivalent of about $1.48 million for the operation of the credit program and the NGO office, and about $2.5 million as loan capital. Life of Project will be four years, and all AID funds will be obligated in the first year. Local costs will be financed over the four year Life of Project.

The PP was reviewed by REDSO/ESA for concurrence on September 12, 1986, and found to be financially, technically and socially sound. It was determined that the requirements of Section 611(a) of the FAA have been satisfactorily met, and that the implementation plan is realistic. However, three major concerns were raised, two of which qualify the economic soundness of the Project.

First, with respect to the commodity components, if pricing is based on the current, overvalued exchange rate, windfall gains to the distributors and/or final purchasers are certain. Additionally, those in the target population who originally purchase the commodities, if at a relatively low price, may resell them within or beyond the target areas, and this could undermine achievement of the Project purpose. Through a pricing mechanism for the smaller commodities based on market values, and through registration of larger commodities, attempts to overcome these problems will be made. Also, analysis shows that in representative cases the discounted present value of short to medium term financial returns expected to accrue to the use of the imported commodities is expected to exceed the benefits of resale.

Second, current commercial interest rates range between 36-42%, but the estimated inflation rate is over 100%. Thus the real interest rate is negative. This will result in a decapitalization of the loan fund over time, but it will not affect achievement of the Project goal and purpose, which are aimed at short term economic recovery.

Finally, the security situation in Uganda has not completely stabilized, but the primary Project target area continues to be stable, and Project activities in other areas will be dependent on the situation at the time of implementation.

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In summary, the REDSO/ESA project review committee recommended that AID proceed with the project activity as described in the PP with minor modifications as being the best available means of currently assisting Uganda in its economic recovery.

The Project was reviewed and approved by the Human Rights Working Group on August 20, 1986 (State 270274 dated 28 August 1986).

A revised IEE was prepared on September 12, 1986, and a recommendation of negative determination cleared by BEO and GC/AFR per State 298283 dated 23 September 1986.

The Congressional Notification period expired without objection on August 21, 1986.

No waivers are required currently. One or more may be required under the Cooperative Agreement, and will be requested at the appropriate time. A justification for limited competition in the award of the Cooperative Agreement was submitted to AA/AFR (ref Kampala 2901 dated 29 August 1986), and was approved per ref State 294516 dated 19 September 1986.

Disbursements for participating ICI's, both dollars for support commodities and local currency as loan captial, will be dependent upon the completion of acceptable institutional analyses. In addition, prior to any disbursement or issuance of any commitment documents, GOU will show evidence of the establishment of a special account for the deposit of local currency generated by Project commodity sales.

The Bank of Uganda will be the implementing agency on behalf of the Government of Uganda, and the implementation mode will be a grant.

The Local Cost Financing requirement is satisfied through local currency contributions to Project activities in excess of the 25% requirement.

The involvement and participation of entities covered by the Gray Amendment will be encouraged to the maximum extent practicable. The Request For Applications under the Cooperative Agreement will stress AID's commitment to this requirement and emphasize that, all other things being equal, the involvement of such entities in a prospective recipient's application may be a deciding factor for award. In addition, the Cooperative Agreement will contain a requirement for all commodity purchases in excess of $25,000 to be advertised in AID's Office of Small and Disadvantaged Business publications.

The responsible AID officer in the field will be the Project Development Officer, USAID/Uganda (position to be filled in October, 1986), and the AID/W backstop officer will be Tom Lofgren, AFR/PD/EA.

Recommendation: That you approve this Project by your signature on this memorandum and on the attached Project Authorization.

Approved ____________

Disapproved ____________

Date 22 Sep 86

REDSO/ESA Director Concurrence by cable, Naiorbi 34934, dated 13 September, 1986

Attachments:

1. Project Authorization
2. Project Paper

Drafted:	DEMcCloud	
Clearances:	BBarrington	(Draft)
	JDempsey	(Draft)
	JGaudet	(Draft)
	HCollamer	(Draft)
	SCallison	(Draft)
	RMahoney	(Draft)
	BStader	(Draft)
	LMcGhee	(Draft)
	RArmstrong	(Draft)
	SShah	(Draft)

PROJECT AUTHORIZATION

Name of Country: Uganda

Name of Project: Rural Economic Recovery

Project Number: 617-0108

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Rural Economic Recovery Project (617-0108) for Uganda, involving planned obligations of not to exceed $5,482,000 in grant funds over a four year period from date of authorization subject to availability of funds in accordance with the A.I.D. OYB/allotment process to help in financing foreign exchange and local currency costs for the Project. The planned life of project is four years from the date of initial obligation.

2. The Project will consist of assistance to the Cooperating Country to support the rehabilitation of rural income generating activities by making available, to residents of war-damaged areas, both necessary commodities and credit. AID contributions will finance four activities: the import of tractors, ancillary equipment and spare parts; the import and distribution of agricultural and other inputs for use by small-scale farmers and other rural entrepreneurs in the recovery of their income-generating activities; a cooperative agreement under which a commodity procurement and distribution specialist and a rural credit specialist will be engaged in Project work over a two to three year period; and the provision of some equipment to selected intermediate credit institutions (ICI) which are implementing rural credit schemes. Local currency generated through the sale of the commodities will be used primarily as loan capital for the rural credit schemes administered by the participating ICIs, as well as to defray local costs of the NGO implementing the Cooperative Agreement, and for additional agreed upon development objectives.

3. The Project Agreement which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with AID regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

   a. <u>Source and Origin of Commodities, Nationality of Services</u>

   Commodities financed by AID under the Project shall have

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their source and origin in Uganda or in countries included in AID Geographic Code 941, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Uganda or countries included in AID Geographic Code 941 as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the Cooperating Country, the United States, and other countries included in AID Geographic Code 941.

b. Applicable AID Regulations

(1) Under the cooperative agreement, the NGO may use its own procurement policies and practices for the procurement of goods and services provided they conform to AID guidelines as contained in AID Handbook 13, Chapter 4.

(2) Regarding the procurement of tractors and related equipment, AID Regulation One will apply, including the special provision, "Special Supplier-Importer Relationship," described in Section 201.23e.

c. Conditions

(1) Prior to any disbursement, or to the issuance of any committment documents under the Project Agreement, the Cooperating Country shall furnish in form and substance satisfactory to AID, evidence of the establishment of a special account for the deposit of local currency generated by Project commodity sales

(2) The Cooperative Agreement shall provide that prior to the disbursement of funds for commodities to be granted to each participating ICI to assist in implementation of its rural credit scheme, the ICI will furnish to the NGO office, in form and substance satisfactory to AID, an implementation plan for the rural credit scheme which demonstrates that Project commodities provided to the ICI will be used to achieve the Project's objectives during the life of the Project. The Cooperative Agreement shall further provide that the implementation plan for each participating ICI must be submitted within nine months of the date of obligation or the ICI will not be eligible to receive commodities in support of its rural credit scheme.

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Richard Podol,
Director

DATE 22 Sep 86

REDSO/ESA Concurrence: Ref. Nairobi 34934, dated 13 September 1986

AGENCY FOR INTERNATIONAL DEVELOPMENT

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7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4): A. Initial FY 86 — B. Quarter 4 — C. Final FY 86

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Other U.S. 2.						
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ______ page PP Amendment.)

17. APPROVED BY — Signature: — Title: DIRECTOR, USAID/UGANDA — Date Signed MM | DD | YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM | DD | YY

AID 1330-4 (3-79)

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ACRONYMS

AID	(United States) Agency for International Development
BOU	Bank of Uganda
CIP	Commodity Import Program
FRLC	Federal Reserve Letter of Credit
GDP	Gross Domestic Product
GOU	Government of Uganda
ICI	Intermediate Credit Institution
LOP	Life of Project
NGO	Non-governmental Organization
NRM	National Resistance Movement
PACD	Project Assistance Completion Date
RFA	Request for Application
UAFA	Uganda Agricultural Finance Agency
UCB	Uganda Commercial Bank
UDB	Uganda Development Bank
USAID	United States Agency for International Development
Ush	Uganda shilling

SUMMARY

A. Grantee: Government of Uganda

B. Implementing Agency: Bank of Uganda

C. Financial Plan and Terms of Project:

Total costs for the Project will be $9,462,000. Total AID financing for the Project will be $5.482 million. Total local contribution for the Project will be about $3.98 million, which includes the local currency equivalent of about $1.48 million for the operation of the credit program and the NGO office, and about $2.5 million as loan capital. Life of Project will be four years, and all AID funds will be obligated in the first year. Local costs will be financed over the four year Life of Project.

TABLE 1

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(US $ 000)

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C. Project Support					
-- NGO Office	--	125	--	284	409
-- NGO Management Costs	271	--	--	--	271
-- ICIs' Operations	--	--	--	1196	1196
-- Loan Capital	--	--	--	2500	2500
D. Evaluation & Audit	70	--	--	--	70
E. Contingency	246	--	--	--	246
F. Inflation	97	--	--	--	97
TOTAL	5357	125	--	3980	9462

17

AID financed costs associated with the following will be included as part of the Cooperative Agreement (see [F] below): Techncial Assistance, Commodities (except the private sector component), and Project Support. To convert Ugandan shillings (Ush) to dollars for the purpose of putting the local contribution into a dollar equivalent, the exchange rate of 1400 Ush/ US$ was used.

D. Purpose of Project:

The Project's purpose is to support the rehabilitation of rural income generating activities by making available, to residents of war-damaged areas in Uganda, both necessary commodities and credit.

E. Background of Project:

This Project is designed to assist the Government of Uganda's (GOU) efforts to support the eoconomic recovery of the country's war-damaged rural areas. Over the past 15 years, and more intensively over the past 5 years, Uganda has suffered greatly due to armed conflicts and political disputes. The GOU looks upon the current recovery process as one which will assist in the reestablishment of formerly productive rural enterprises, including farming and artisanal activities, in those areas most severely affected by the country's recent disturbances. Few of the implements necessary to the production process are available since imports of such items have been limited by the shortage of foreign exchange, and since local production has fallen to very low levels. In addition, although the potential for income generation is great, the current savings of returnees are likely to be insufficient to finance the hire and purchase of tools and labor necessary for the resumption of productive activities. The Project attempts to overcome those two problems by providing both the necessary commodities and access to credit.

F. Description of Project:

The Project has four major components: (1) the importation of commodities for use by small commercial farmers and other rural entrepreneurs to support the recovery of income-generating activities; (2) the importation of tractors for sale through an established distributorship in Uganda; (3) the provision of credit (local currency only) to those farmers and entrepreneurs to purchase their necessary inputs; and (4) the provision of technical assistance for the management and monitoring of commodity procurement and distribution, and of the credit scheme. The procurement and distribution of the commodities referred to in (1) above, and the provision of technical assistance (plus other support goods and services) referred to in (4) above will be conducted under a Cooperative Agreement awarded to an NGO to be selected amongst six candidate NGOs through limited competition.

By the end of the Project, the income-generating capability of farmers and other small-scale rural enterpreneurs will have been reestablished, commercial trading channels in Project areas will have been improved, and the institutional capacity on the part of participating ICI's for the administration of small-scale rural credit will have been strengthened.

G. Summary Findings:

Economic and Financial - For the last several years, stagnant nominal foreign exchange earnings and rising debt service payments have reduced Uganda's foreign exchange resources. However, the demand for the importation of productive goods in Uganda remains high, and such goods are necessary to future economic growth. Thus, assistance to Uganda in the provision of foreign exchange for the purchase of imported productive goods is justified. One concern, though, is the overvalued exchange rate which now exists in Uganda. This overvalued exchange rate may provide a strong financial incentive to resell commodities which have been imported at the official rate, and thereby reap substantial windfall gains. Initial analysis indicates that generally the discounted present value of short to medium term financial returns expected to accrue to the use of the imported commodities is expected to exceed the benefits of resale. However, pricing of the commodities continues to be important issue.

Social Soundness - With the disruptions of the 1970's and early 1980's, most of the social and economic infrastructure that had been developed in the preceding decades was seriously damaged, leaving Uganda today one of the poorest countries in the world. In the face of this destruction, however, Ugandans have not lost their ability to work hard in order to improve their condition. It is the Ugandan's determination, initiative, and strong will to overcome the difficulties of the past 15 years, combined with the relatively high level of natural wealth of the country, which lend tremendous support to the success of this Project. The beneficiaries of this Project are those people who have been most disadvantaged by the last several years of disruptions, and who have the potential to help themselves and participate in rural income-generating activities.

Technical - Project design takes into account the difficult conditions one now encounters in Uganda when attempting to implement any kind of development project. Much of the country's physical and economic infrastructure has been seriously damaged or has fallen into disuse. In particular since the Project's purpose is to assist in the reconstruction effort, it is not possible to avoid these conditions. To enhance the feasibility of Project implementation, technical assistance is included. Both Project design and the method of implementation are believed to be the most suitable and cost effective.

Institutional - The preliminary findings of a rural credit specialist included on the Project design team were that the ICI's being considered for the implementation of the rural credit scheme are sound and appropriate for the Project, and that each offers a different and unique approach to providing credit to the target population. However, there was insufficient time to complete a proper institutional analysis, and such an analysis of each of the participating intermediate credit institutions has been made a requirement prior to the use of local currency as loan capital and to the disbursement of foreign exchange for the purchase of commodities in support of an individual ICI's implementation efforts. It should be noted that only local currency will be used as loan capital for the purposes of this Project.

H. Project Issues

With respect to the commodity components, there is major concern that pricing based on the current official exchange rate may result in windfall gains to the distributors or the final purchasers. Additionally, those in the target population who originally purchase the commodities, if at a relatively low price, may resell them within or beyond the target areas, and thus potentially undermine the Project purpose. Through a pricing mechanism based on market values, and through registration of larger commodities, attempts to overcome these problems will be made.

Current commercial interest rates range between 36-42%, but the estimated inflation rate is over 100%. Thus, in effect the interest rate is negative. This will result in a decapitalization of the loan fund over time, but does not contradict the Project goal and purpose since this is an economic recovery project and thus is short to medium term.

The security situation in Uganda has not completely stabilized, but the primary Project target area continues to be stable, and Project activities in other areas will be dependent on the situation at the time of implementation.

I. Consideration of small, disadvantaged and woman-owned firms will be made in particular when the Request for Applications

(RFA) are distributed as part of the selection process of an NGO for the Cooperative Agreement. The RFA will stress AID's commitment to such considerations and emphasize that, all other things being equal, the involvement of such entities in a prospective recipient's application may be a deciding factor for award. In addition, the Cooperative Agreement will contain a requirement for all commodity purchases in excess of $25,000 to be advertised in AID's Office of Small and Disadvantaged Business publications.

J. No waivers are required currently. One or more may be required under the Cooperative Agreement, and will be requested at the appropriate time. A justification for limited competition in the award of the Cooperative Agreement was submitted to AA/AFR (ref Kampala 2901 dated 29 August 1986), and was approved per ref State 294516 dated 19 September 1986.

K. Major Conditions Precedent and Covenants:

Prior to any disbursement, or to the issuance of any committment documents under the Project Agreement, the Cooperating Country shall furnish in form and substance satisfactory to AID, evidence of the establishment of a Special Account for the deposit of local currency generated by Project commodity sales.

The Cooperative Agreement shall provide that prior to the disbursement of funds for commodities to be granted to each participating ICI to assist in implementation of its rural credit scheme, the ICI will furnish to the NGO office, in form and substance satisfactory to AID, an implementation plan for the rural credit scheme which demonstrates that Project commodities provided to the ICI will be used to achieve the Project's objectives during the life of the Project. The Cooperative Agreement shall further provide that the implementation plan for each participating ICI must be submitted within nine months of the date of obligation or the ICI will not be eligible to receive commodities in support of its rural credit scheme.

L. Project Team Members:

Lyn Dunn, REDSO/ESA
Bruno Komakech, USAID/Uganda
Roberta Mahoney, REDSO/ESA
David McCloud, Team Leader, REDSO/ESA
Emily MacPhie, USAID/Uganda
Richard Slacum, Rural Credit Specialist

I. BACKGROUND TO PROBLEM: POLITICAL, SOCIAL AND ECONOMIC UPHEAVAL.

A. Brief History of Disturbances

Uganda's recent political history can be briefly outlined to give a sense of the instability, brutality, and relief which the country has experienced. At independence, President Mutesa, King of Buganda, and Prime Minister Milton Obote ruled the country. In 1966, Obote suspended the Constitution, ousted Mutesa, and installed himself as President of Uganda. Both political oppression and state participation in and control over the economy increased during this time, but nonetheless the Ugandan economy prospered.

In 1971, General Idi Amin Dada assumed power in a bloodless coup. Amin's reign was marked by brutal repression and economic mismanagement. The expulsion of much of the Asian community, many of whom were qualified managers, subsequent acquisition of many former Asian and expatriate enterprises as parastatals, complete lack of fiscal responsibility within the parastatal and government sectors, and a lack of investment activity all contributed to economic problems during Amin's regime. Amin was finally overthrown in the War of Liberation during which time the country suffered extensive looting and the destruction of much property. By the end of the decade, the standard of living for Ugandans had fallen to only 60 percent of the level of the early 1970s.

Amin was replaced in rapid succession by Presidents Lule and Binaisa, a ruling Military Commission led by Muwanga and including Oyite-Ojok and Yoweri Museveni, and finally, in December of 1980, Obote. With each of these changes, and especially with Obote, Uganda seemed poised to begin the rehabilitation and reconstruction of its war-damaged economy. After a brief period of calm, however, the campaign of terror resumed between 1980 and 1985. This terror did not end with the removal of Obote from office in July, 1985, by Tito Okello. Instead, control over the armed forces remained non-existent, and increasing instability marked Okello's brief tenure. This most recent five year period of general disorder ended only with the January 1986 civil war and subsequent assumption of power by Yoweri Museveni and the National Resistance Movement (NRM).

From 1979 to early 1986, a number of areas of the country were plagued by insecurity often caused by seemingly ethnic hostilities. The most infamous example of the violence and destruction that has occurred in Uganda is the "Luwero Triangle," the area comprised of three districts -- Luwero, Mubende and Mpigi -- just north and west of the capital, Kampala. For at least three years, the Baganda people who predominate in this area were terrorized by the ruling army, made up predominantly of traditionally hostile northerners.

Although exact figures will never be known, hundreds of thousands of innocent civilians were killed and nearly all the extensive physical infrastructure of this once prosperous area was destroyed.

In the northwestern region of the country, the districts of Arua and Moyo were largely depopulated in 1981 and 1982 as the population fled to Zaire and Sudan in the face of retaliatory attacks by the military against former President Idi Amin's home area. While the majority of the violence and insecurity in Moyo and Arua occurred between 1981 and 1984, many Ugandans still remain in Zaire and Sudan for fear of renewed attacks. As a result, what was not damaged during the years of violence has fallen into disrepair and ruin as a result of years of neglect and disuse.

Other areas of Uganda, while not affected for as prolonged a period as Arua and Moyo in the northwest and Luwero, Mubende and Mpigi in the southern central region of the country, have also suffered periods of acute insecurity and widespread destruction. In southwestern Uganda, damage was sustained in the 1979 Liberation War as the Uganda National Liberation Army (UNLA) moved toward Kampala from Tanzania. The southwestern districts of Masaka and Mbarara were damaged again as the National Resistance Army (NRA) fought against the UNLA in the build up to the January 1986 civil war. Area residents were forced to flee from their homes more than once as a result of the violence.

Finally, in the north-central districts of Gulu, Lira and Apac, extensive damage was incurred in early 1986 as the retreating UNLA looted and plundered ahead of the NRA takeover in the area. While violence in this northern area was not so prolonged, it was intense and extensive, and in some districts continues as remnants of the UNLA still fight the NRA or have turned to banditry. Many area residents at least temporarily abandoned their homes during this period of insecurity.

B. Relief and Rehabilitation Needs and Efforts

1. General Description and Relationship of Project to Other Donor Activities

After the National Resistance Movement takeover of the Government of Uganda in January 1986, peace and security began to return to most areas of the country. As security returned, many people began to return to the most seriously affected areas to re-establish their homes and livelihoods. The extent of loss and destruction in many areas, however, inhibited a rapid and efficient return to productive lives, and required an immediate infusion of emergency relief assistance. A number of agencies -- most notably the Ministry of Rehabilitation, the International Committee for Red Cross (ICRC), the League of Red

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Cross, the Uganda Red Cross, Oxfam, the Church of Uganda and the Catholic Secretariat -- distributed "self-sufficiency kits," consisting of basic household implements and farming resources, to returning families in the most seriously affected areas of the "Luwero Triangle," the Masaka-Mbarara region and the Gulu-Apac region. These kits were provided by various donors, including AID as well as the NGO's. Most of these distributions took place between April and June of 1986. In addition, the U.N. High Commission for Refugees, through the Lutheran World Federation (LWF), has provided such self-sufficiency kits to refugees returning to Arua and Moyo districts for several years.

While some groups were meeting the immediate subsistence needs of returnees to war-damaged areas, other groups -- such as Medecin san Frontiers/Netherlands (MSF/Netherlands), Medecin sans Frontiers/France (MSF/France), Save the Children fund (SCF), German Emergency Doctors (GED), and Italian doctors -- have moved quickly to reestablish basic health services in the war-damaged areas. In addition, UNICEF, the Swedish government, LWF and others have organized quickly to rehabilitation and expand potable water sources in seriously affected areas. Through the combined efforts of a number of organizations, the basic subsistence and health needs of returning families have largely been met in the period immediately following the reestablishment of peace in many previously insecure areas of Ug-nda.

Although these immediate relief needs have been met, returning families continue to face the problem of longer-term recovery. Looting and destruction have been widespread during the years of insecurity, and therefore many people return to find their homes in ruins, their productive resources gone, and their social and ph'sical infrastructures badly damaged. The task of starting over gain to rebuild farms, trading centers, schools, health clinics, factories, roads, and homes is far beyond the resources of the residents themselves within the foreseeable future. While the people in these areas are willing to provide the effort to rebuild their lives, they lack the physical resources and the capital to do so.

Among the more major recover requirements is the rebuilding of the economically productive base in the war-damaged areas. Such a rehabilitated base will, in turn, support the self-sustaining growth needed to gradually rebuild and maintain such public infrastructure as schools, roads, and health clinics. In order to rebuild the economic base in war-damaged communities, a number of needs must be met, central among them the following two: the reestablishment of supply lines (i.e., market centers, distribution systems, transportation networks) for essential, productive inputs that will provide returning residents with the physical resources they need to rebuild, and the establishment of credit mechanisms which will provide returnees with the funds they require to purchase these inputs.

This emphasis on the rehabilitation of the economic base in war-damaged areas is central to the new government's planning for the country's recovery. Prior to its decline during the 1970s, Uganda was a very productive and relatively wealthy nation. As a result, many of the residents of the now war-damaged areas are able to identify their priority recovery needs and the means to achieve them. The National Resistance Movement (NRM) government intends to capitalize on these existing skills and strengths by helping returning families to help themselves in rebuilding the productive enterprises they have lost. In President Museveni's own words, two of the primary objectives of the NRM are: building an independent, integrated and self-sustaining economy and, in order to achieve this, following an economic strategy of a mixed economy in which "the majority of economic activities (are) carried out by private entrepreneurs." (Yoweri Museveni: Selected Articles on the Ugandan Resistance War, NRM Publication, 1985.

Although few international donors or non-governmental organizations (NGO's) have as yet initiated longer-term economic recovery efforts specifically in the war-damaged areas of Uganda, some new activities are being developed, including the Project described herein, and some existing activities are being re-oriented to meet priority recovery needs. The UNDP/ILO is moving ahead to implement a "Labor Intensive Special Public Works in Luwero District" project, designed to mobilize locally available manpower and resources in the physical reconstruction of damaged or destroyed infrastructure (roads, trading centers, etc.). In other, on-going nation-wide programs, UNDP/ILO, IFAD, IDA, EEC and USAID (e.g. the Rehabilitation of Productive Enterprises and Food Production Support Projects) are making available credit and/or basic productive resources to recipients. With the return of peace and stability to war-torn areas, these previously approved projects can now make their benefits available to formerly inaccessible parts of the country. Finally, groups such as MSF/Netherlands, MSF/France, Oxfam, LWF, and Action Acord, are moving from relief efforts to longer-term recovery of health and other social service facilities and services.

From these combined donor/GOU efforts, in combination with the considerable efforts of the returning residents themselves, gradual progress is being made in the recovery of war-damaged areas. However, the losses and resultant needs are great and will require sustained activity for several years. Improved economic productivity in such war-damaged areas as the "Luwero Triangle" will facilitate and support the recovery of Uganda as a whole since such areas hold enormous economic potential.

Given a large number of inter-related problems and given a still uncertain and changing situation in many areas, solutions will need to be flexible and responsive to needs as they arise. As increasing numbers of residents return home, as the new government continues to develop and refine its policies and programs, and as new donors and NGO's enter Uganda to assist in recovery, new problems and new solutions will undoubtedly appear. The keys to effectiveness in recovery activities under these circumstances are coordination, cooperation and adaptability.

2. Relationships of Project to GOU Priorities

Prior to the National Resistance Movement's takeover of the Government of Uganda in January, 1986, Yoweri Museveni had outlined a ten point program for Ugandan recovery. This ten point program was repeated by the Prime Minister, Dr. Sam Kisekka, in his February, 1986, speech that launched the NRM's Emergency Relief and Rehabilitation Program. Of these ten points, at least four will be directly affected by the subject Project:

(1) democracy (which in Museveni's terms means "a decent level of living for every Ugandan" in which the poor have equal access to opportunity with the wealthy);

(2) building an independent, integrated and self-sustaining economy (in Museveni's words, "possibly the most important point of the whole program," in which "backward and forward linkages between the different sectors of the economy" are ensured);

(3) rehabilitating the war-ravaged areas; and

(4) following an economic strategy of a mixed economy in which "the majority of economic activities (are) carried out by private entrepreneurs...."

(From Yoweri Museveni: Selected Articles on the Uganda Resistance War, NRM Publication, 1985.)

The Project will assist in at least these four of the NRM's ten primary relief and rehabilitation objectives. Others, e.g. security and national unity, will serve to support the Project by providing a peaceful environment in Project areas. In the last several months, President Museveni has publicly announced the NRM'S recognition of the need for small-scale, rural credit. He has followed up on these announcements with direct discussions with local banks regarding the need for rural credit programs. In addition, such relevant government offices as the Ministry of Planning and Economic Development, the Ministry of Rehabilitation, the Uganda Development Bank, and the Uganda Commercial Bank have expressed considerable support for and interest in the concept of a rural loan scheme for war-damaged areas.

Although the NRM Government's first priority is to produce essential resources domestically, it also recognizes the

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existing short-term constraints to such production. As a result, it supports the concept of importing priority resources, particularly those required for economic rehabilitation and recovery.

3. Relationship to CDSS and to USAID Strategy

USAID/Kampala's most recent CDSS update was prepared in February 1984; therefore it is not entirely current. On the other hand, the circumstances in Uganda, and thus the requirements of USAID, have not changed significantly during the intervening time frame, i.e. economic recovery remains the priority. For this reason, much of what the CDSS has to say remains relevant for the current situation in Uganda.

According to the CDSS update, "AID will pursue three overall objectives in Uganda:

(1) help relieve the pressing foreign exchange constraint;

(2) contribute to rehabilitation of productive capacity;

(3) maintain an active role in the continuing process of policy change."

It goes on to state that "the AID strategy in Uganda will incorporate equitable growth concerns by directing assistance toward Ugandan smallholder farmers and activities which are critical to smallholder farming, i.e., production or processing of farm outputs."

Given the events in Uganda since July 1985, USAID has had to refocus its strategy for Uganda to be more responsive to humanitarian relief and rehabilitation needs. 85 Kampala 3684 (dated December 30, 1985) began the documentation of this refocusing effort in stating that (paragraph 7) "we are trying ..... to take a position which maintains maximum flexibility for A.I.D. to be responsive to the humanitarian and immediate needs of the GOU....." 86 State 44547 (dated February 12, 1986) reinforced this refocused strategy in stating that a reactivated USAID's first program priority was to be (paragraph 5) "humanitarian resettlement activities." 86 State 6292[illegible] (February 28, 1986) added to this new direction in stating that (paragraph 1) "it is most important to tailor our assistance as much as possible to support immediate and near-term Ugandan efforts to settle people and rehabilitate the economy." Finally, 86 Kampala 1370 (dated May 2, 1986) emphasized that USAID's commitment is to "near term agriculture resettlement/rehabilitation objectives...." (paragraph 1) in FY 86 and FY 87. This Project serves both to meet the near-term rehabilitation needs and to help establish a base on which longer-term recovery can be supported.

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C. Macro-Economic Assessment

1. Introduction

Uganda's economic potential has long been recognized. Fertile soils, adequate rainfall, mineral resources, and a hard working and well educated population characterize the country. In the days following independence, Uganda enjoyed one of the highest per capita incomes in sub-Saharan Africa. Those early investments in Ugandan development alone have not resulted in sustained growth, however, and the average standard of living has fallen continuously since the early 1970s. In financial terms, Uganda now ranks as one of Africa's poorest nations. As a testimonial to Uganda's resource wealth, the nation has suffered only minimal food shortages and required only modest and infrequent food imports. Indeed, Uganda exported basic food grains, as well as her traditional coffee, during this period.

Uganda's political fortunes changed dramatically in January 1986, as the National Resistance Army captured Kampala and Yoweri Museveni claimed the Ugandan presidency. Museveni's promises to exert stronger control over the armed forces have been kept, and security has improved. People are moving back to their homes and resuming economic activities. Once again, Uganda sits on the brink of economic recovery.

The promised recovery includes: the rehabilitation of damaged and abandoned enterprises; restoration of a productive agricultural sector; increased exports and foreign exchange earning capacity; reestablishment of a stable and financially viable government; and political and economic stability to ensure the return of individual investment. The potential for Uganda to undertake this recovery, and the national gains from recovery, remain great, but concerns persist. The Uganda government appears to be exerting increasing control over the economy, the National Resistance Army battles armed insurgents in the north, and private investors are just starting to commit funds to the recovery effort and to new projects. Continued political stability, coupled with rational economic policies, are the prerequisites of Uganda's economic recovery.

2. Historical Performance

During the first years following independence, Uganda enjoyed a relatively high and stable level of economic growth. Real GDP grew by an average 4.8 percent annually between 1963 and 1970. In turn, this allowed a steady growth in real per capita GDP of approximately 2.0 percent per annum for the post-independence period. In addition, domestic savings rates were healthy and allowed substantial investment activities to be undertaken. Export earnings were adequate to cover import requirements and resulted in a balance of trade surplus during these years. Finally, Government finance was sound since revenues exceeded

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expenditures and Government honored its fiscal responsibilities and maintained financial accountability.

This situation changed dramatically during the 1970s. Uganda's expulsion of much of the Asian community resulted in a substantial loss of the country's entrepreneurial talent. At the same time, state acquisition of the former Asian properties and nationalized expatriate firms resulted in a significant drain on budgetary resources at a time when fiscal control and responsibility were abandoned. As an indication of this abandonment, a variety of documents which summarize, consolidate, and generally account for government expenditures have not been prepared since 1971. This includes accounting statements by central government as well as parastatals. Thus, many parastatals have never been accountable for their financial behavior. Economic uncertainty and sustained inflation combined to yield lower savings levels. The savings to investment ratio declined from 11.6 percent in 1979 to merely 2.3 percent in 1978.

As a result of these excesses and abuses, real GDP fell by an average annual amount of 0.2 percent between 1970 and 1978. This was exacerbated by an estimated annual increase of 3.2 percent of the population which generated an annual fall in real per capita GDP of roughly 20 percent during these years. By 1979, the combined central government deficit and parastatal debt amounted to 2.5 billion Ugandan shillings. This was financed by an expansion of the money supply from approximately 1.2 billion USh in 1971 to 7.1 billion USh in 1978. Not surprisingly, prices rose by a factor of 11 during these years. Although wages increased, they did so by only 54 percent during the same period. Thus, real wages were quickly eroded.

Neither could producer prices keep pace with the increasing price level: as a result, officially marketed coffee exports fell from 175,000 tonnes in 1970 to 80,000 tonnes in 1978. This performance was echoed in other export crops. By 1978, the exported value of both cotton and beans reached just one quarter of their 1974 levels, and copper exports had all but disappeared. Although Uganda had exported sugar in the years following independence, sugar production had nearly ceased by the end of the 1970s. Tobacco production, too, was down dramatically. At the same time, the production of food crops increased, especially that of beans. Rather than a retreat to subsistence production, such an increase in food crop production represents a move from production of crops which face price control (usually with falling real market prices) to crops free of such controls. This conclusion is consistent with the most often quoted reasons for the demise of Ugandan export crops production: fall in real prices, unsatisfactory marketing channels, lack of inputs, and a lack of transportation.

The dismal performance of the agricultural sector was repeated in manufacturing, but without the hope evidenced by food crop production. There was a fall in the production of all items, with the exception of cigarettes, bicycle tires, and bicycle tire tubes. Thus, the production of sugar, beer, cotton and its derivative products, corrugated iron, paint, hoes, and other goods suffered greatly. Domestic production collapsed due to the lack of foreign exchange with which spares and raw materials were purchased, the lack of managerial talent, and the institution of price controls. This situation was further exacerbated by the external shocks of petroleum price increases and the break up of the East African Community.

While the beginning of the 1970s was characterized by rapid economic decline and the growth of corruption, the end of the decade, concurrent with the War of Liberation, saw the economic and political collapse of Uganda. Vandalism, looting, and theft were commonplace; there was a further breakdown in domestic production and in exports. By 1980, per capita incomes were just 60 percent of their 1970 level.

3. Economic Recovery

Certain indicators of economic performance began to improve in the 1980s. Between 1980 and 1983, both total GDP and per capita GDP experienced positive rates of real growth. In 1981 and 1983, the non-monetary sector, especially non-monetary agricultural production, was the source of most growth in the economy. In the intervening year, the coffee sector, including processing, was the source of greatest growth. This was followed by increases in the production of other monetized agricultural goods. During the same years, Uganda's exports, which are principally composed of coffee, increased from $245.5 million in 1981 to $347.1 million in 1982 and $367.6 million in 1983 despite the resumption of civil war. This represents an increase of nearly 50 percent in just two years. This performance is calculated from a relatively low base year, and was compounded by a fall in the officially marketed volume of agricultural produce. Nonetheless, the performance bodes well for the capacity of Ugandan agriculture to respond to relatively stable political and economic conditions and to undertake sectoral rehabilitation.

Contributing to this rise in the value of agricultural production were a series of increases in real prices received by farmers. By 1983, real prices were up by an average 43 to 95 percent over 1981 prices, with robusta coffee registering a real gain of 50 percent and cocoa, the greatest beneficiary, realizing a 651 percent increase. While agricultural production responded to these incentives, the industrial sector faced few such direct incentives and industrial production was nearly stagnant. This suggests that in the short to medium term, the greatest return to rehabilitation efforts will be to the agricultural sector, both in coffee production and processing, in other monetized and non-monetized agricultural production and agro-industrial production. By 1983, total real GDP had recovered to 95 percent of its peak 1972 level.

During the same period, government finance seemed to improve. While the 1980/1 budget reported a deficit in the recurrent budget of 8.5 billion USh, the 1982/3 budget recorded a recurrent surplus of 4 billion Ush. The overall budget deficit grew from 10 billion Ush in 1980/1 to 16.5 billion Ush in 1982/3, an increase which was chiefly composed of increases in debt repayments and increases in capital account expenditures. The ratio between deficit and total expenditures, and between deficit and total revenues, remained fairly constant, however, indicating that although the deficit expenditures were increasing, they were doing so at a rate comensurate with the government's capacity to collect revenues and its schedule of overall expenditures.

Inflation, too, had slowed dramatically from nearly 93 percent in 1981 to 33 percent in 1983. This drop implies that an index on the price level did not quite double during the years in question. While this performance may not be commendable in many countries, it did follow a period of 11 fold price increases in the 1970s in Uganda and represents an impressive achievement. This slowdown was in large part due to a decline in the rate of expansion of the money supply from an average 77 percent per year between 1971 and 1978 and 100 percent per year 1978 and 1981 to just 39 percent per year between 1981 and the fourth quarter of 1983. When seen in terms of the 1970's, the performance of the Ugandan economy during the early 1980s was remarkable.

In real terms, however, the situation remained grave: at no point during this recovery phase did total GDP regain the level of the early 1970s. Therefore, per capita GDP remained severely eroded in spite of the upturn. Exports became increasingly concentrated in coffee, smuggling and "magendo" or parallel market, activities became normal business practices, the government deficit was increasing, and the debt service ratio, which had fallen, began to increase.

4. <u>Current Situation</u>

Political and military turmoil peaked in 1984 and 1985, and the economy again suffered tremendously. Total GDP fell by more than 5 percent each in 1984 and 1985, and by 1985 total GDP had fallen to just 85 percent of its 1972 level. Per capita GDP fell by more than 8 percent per year and eliminated the gains of the early 1980s after only two years. With a return to open warfare, agricultural production dropped. Inflation again raged out of control at creates in excess of 150 percent for 1984 and 1985, and close to that level in 1986. While wartime disruptions and scarcities were certainly important causal factors, the broad money supply nearly doubled each year, and an even more rapid increase seems to be occurring in 1986.

The real and nominal values of imports have fallen over the last few years: by 1985, the real value of imports was estimated at merely 30 percent of the 1981 level. Of this diminished level, an increasing amount has been spent on consumer products and petroleum. Thus, imports for all other purposes, including raw materials, capital goods, and spare parts for productive activities, have been severely constrained in the past few years. The lack of such imports has severe implications for industrial productivity: by 1983 only two firms in Uganda were recorded as having operated in excess of 50 percent of capacity. The remaining 55 firms in the government survey operated at an average 15 percent of capacity.

Import levels have been reduced as foreign exchange earnings have stagnated in nominal terms and debt service payments have grown. The ratio of debt service payments to export earnings has increased from 32 percent in 1984 to 48 percent in 1985 and 58 percent in 1986. Thus, by 1986, the amount of foreign exchange available for non-oil items has fallen to 65 percent of the 1984 level.

It becomes apparent, therefore, that resumption of economic growth will require increased access to foreign exchange and to imported productive commodities. This is a short term response, however. The long term solution lies in a real increase in the nation's foreign exchange earnings, complemented by diversification of exports from the heavy dependence on coffee, and supplemented by a longer term reduction in foreign indebtness.

Certain aspects of the recently released budget show cause for concern, however, and highlight the need to work quickly for a broad based recovery. Government expenditures are expected to increase dramatically. Growth of recurrent expenditures will increase by almost 100 percent compared to last year and development expenditures by over 200 percent. Subsidies to parastatals are estimated at almost 19 billion Ush. Revenues will also increase by about 90 percent, principally as a result of increased petrol and corporate taxes, but the rate of growth of revenue will be less than that of expenditures. As a result, the government deficit is projected to increase to nearly 350 billion Ush, or 31 percent of total expenditures and 45 percent of total receipts. Since this is expected to be domestically financed, it will have severe implications for the inflation rate.

In August 1986, the exchange rate was unified at 1400 Ush to one U.S. dollar. While unification was essential, given that the government had been buying currency at a high rate (5,000 Ush/US$) and selling at the lower rate (of 1400 Ush/US$) which generated a loss on many transactions, unification at the 1400 rate is uneconomically low when compared to current estimates of a "kibanda" rate, or street value, of 8,000 to 10,000 Ush t(one U.S. dollar. Although real producer prices are currently greater than they were in 1981 as a result of recent increases one more year of unabated inflation will be sufficient to reduce them again to depressive levels. Unification of the exchange rate at a more realistic level, with this valuation passed on to the producer, would have offered a strong incentive to local producers of exported crops. Unification a1 the lower rate will stifle investment and production, and offe) a considerable disincentive to export. In addition, the lower official exchange rate is one which will provide a strong incentive to smuggling and to "magendo" activities. Although the government hopes to diminish such activities through administrative controls, the experience of other countries amply demonstrates that this is not possible.

Interest rates, which are already strongly negative due to the high rate of inflation, may be lowered for productive activities. While it may appear noble to reduce interest rates on an agricultural loan from 38 percent, it will not maintain the capital value of loan funds, let alone cover administrative costs, when the rate of inflation is estimated to lie between 120 and 150 percent this year and moneylender rates are between 10 and 15 percent per month.

While the newly announced policies, if implemented, may dampen Uganda's long term growth prospects, the rehabilitation of economic activities allowing a return to a modest standard of living will be undertaken by those returning to their farms and homes. People are reestablishing food crop production for on and off-farm consumption, and they are beginning to resume other cash cropping activities. As political calm returns, the prospects for economic recovery brighten. Looking to the recent past, it is clear that the agricultural sector, including monetized, non-monetized and agro-industrial components, will be the leading area of recovery. It is this recovery which these project activities seek to assist.

II. PROJECT RATIONALE AND DESCRIPTION

A. Objectives: Goal, Purpose and Outputs

1. Goal

The goal of this Project is to provide residents of war-damaged areas of Uganda with the opportunities to rebuild their lives and resume economic growth and development over time. Given the country's wealth of natural and human resources, the potential for growth and development is great. The potential has been severely constrained over the past 10 - 15 years by social and political disturbances and uncertainty. With the assumption that political stability can be maintained, the provision of opportunities is one of the most important types of assistance which can be offered. Already, over the past few months since the ending of major hostilities, residents who have been absent from their home areas for up to five years have returned and have made good progress reestablishing their lives. It is apparent that with the necessary support their progress along these lines will be greatly improved.

2. Purpose

The Project's purpose is to support the rehabilitation of rural income generating activities by making available, to residents of war-damaged areas, both necessary commodities and credit. Eligible commodities include not only directly productive goods, but also construction materials used in the building or rehabilitation of farm buildings, worksheds, etc. In addition, small-sized tractors have been included as eligible commodities (under an arrangement with the Ford distributorship). To achieve the Project purpose, USAID will engage in an institution-strengthening exercise whereby technical assistance will be provided in the design and implementation of the credit scheme. Also, on the commodity side, technical assistance will be provided both to handle procurement and to supervise distribution, and in doing so will support the rehabilitation of commercial trading channels.

Commodities, labor and cash are all in the short supply in the target area. Shops in the so-called "Luwero Triangle" continue to operate in large trading centers only. In other parts of the Triangle frequently shells of buildings are all that remain. Where shops do operate, both in Luwero and in the other Project target areas, stocks of inputs are small, often limited to some chemicals and a few hand implements. Domestic production of agricultural inputs and of other productive goods has been at an extremely low level for a number of years, in many cases dropping to 5% or less of capacity. 30% of capacity would represent an unusually high level of production in Uganda over the past five years. Similarly, imports of productive goods have been low due to the inability of firms to gain access to foreign exchange.

Small commercial farmers and other small-scale rural entrepreneurs do not have ready access to cash or credit. However, they are in need of both goods and labor in order to reestablish their enterprises. Thus, as part of this Project, credit will be provided through established channels for the purchase of goods imported under the Project, for goods available through other sources both imported and locally produced, and for labor.

In addition, farmers in Uganda have a history of using mechanized farm equipment, but over the past few years that equipment has not been readily available. The importation of tractors under this Project will provide not only the individual tractor owners with necessary capital equipment, but also other, small commercial farmers with access to tractor services. Common practice in Uganda is that tractor owners who do not have full-time need for their tractors will rent out their services to others in the area. Discussions with farmers in the target area indicated that such services were commonplace in the past, and are a necessary component of a farming regimen for many cash crop plots.

Finally, it should be noted that in the design and approval of this Project more than narrow economic concerns were considered. First, to a large extent the Project is intended to meet a humanitarian need for assistance to residents in non-damaged areas. Second, it is in the interest of the United States to extend support to the Government of Uganda at a critical time in its reconstruction efforts. Finally, the project includes an important element of institution-strengthening which is not readily analyzed through the use of standard economic methods. However, of major concern has been the overvalued exchange rate (1400 Ush/US$) and the high inflation rate (over 100% per year). The impact of both of these factors on Project purpose achievement has been discussed with the GOU. It is expected that the pricing of at least the Cooperative Agreement commodities will be based on their market value. Further discussion will take place with the private sector importer of tractors on this point.

3. Summary of Project

This Project has four major components: (1) the importation of commodities for use by small commercial farmers and other rural entrepreneurs to support the recovery of income-generating activities; (2) the importation of tractors for sale through an established distributorship in Uganda; (3) the provision of credit (local currency only) to those farmers and entrepreneurs to purchase their necessary inputs; and (4) the provision of technical assistance for the management and monitoring of commodity procurement and distribution, and of the credit scheme. The Life of Project is four years, with a Project Assistance Completion Date (PACD) of September 30, 1990, and LOP funding is $5,482,000. (Note regarding the exchange rate: This Project includes both dollar and local currency (l.c.) expenditures, with the latter funded when possible from l.c. generations within the Project. Where there may be a direct coversion of dollars to l.c., the exchange rate of 1400 Ugandan Shillings to one U.S. dollar has been used.)

Eleven districts have been identified as particularly hard hit over the past six years: Apac, Arua, Gulu, Luwero, Lira, Masaka, Mbarara, Moyo, Mpigi, Mubende and Soroti. Arua and Moyo are already the focus of another proposed USAID project which includes the provision of low-cost commodities, and thus require only the availability of credit and tractors from this

Project. In this way, the two projects will complement each other. The order of districts in which we initiate Project activities, and the nature of activities in a particular district, will be determined by the existing and planned capabilities of the ICI's, the commodity distribution needs and system, and the socio-political environment.

The following is a brief discussion of each Project component:

-- <u>Commodity Import Component through Cooperative Agreement</u>: An illustrative list has been prepared which includes the types of commodities eligible for import under this Project component, and appears as an Annex. Total Cooperative Agreement commodity purchases will total about $2.1 million. A needs assessment survey will be completed prior to commodity procurement. The types of commodities which will be eligible are those which are inputs (excluding pesticides and herbicides) or implements related to agricultural production or other commodities in some way related to small-scale commercial rural income-generating activities. USAID will negotiate with an NGO a Cooperative Agreement under which the NGO will conduct the needs assessment survey, procure the goods, and arrange for their distribution to the Project areas.

-- <u>Private Sector Commodity Imports outside the Cooperative Agreement</u>: About $1.4 million worth of Ford tractors, ancillary equipment, and spare parts will be imported and offered for sale by the Ford distributorship located in Kampala. The distributorship has established a separate credit facility which can be used to provide credit for tractor purchases. Sales of these tractors will be targeted to the eleven districts identified as Project areas. The local currency generated by the sale will go to the Special Account. It is expected that this Project component will provide a relatively quick injection of local currency to the Special Account which then will be available both for covering Project local costs and for lending through the credit scheme.

-- <u>Provision of credit</u>: The sale of commodities will generate shillings which will then be available for programming. The uses of these shillings will be twofold: to cover the local costs of the NGO under the Cooperative Agreement after the first Project year and other Project local costs, and to fund a credit scheme which will provide loans to small commercial farmers and rural enterpreneurs. An NGO will coordinate the management of the credit scheme. The loan application and disbursement processes will be administered by local participating ICI's. It is expected that most loans by UCB and UDB will be in the range of 3,000,000 to 10,000,000 Ush , and by UAFA (through primary cooperative societies) in the range of 300,000 to 500,000 Ush. Amounts larger than 10,000,000 Ush may be loaned dependent on special approval. The Project will provide both technical assistance and commodity support to the ICI's for Project implementation. The interest rate will be within two or three points of the commercial rate, and the loan repayment period will depend upon the loan purpose. The NGO will be responsible for reviewing the credit schemes of each participating ICI to ensure consistency with Project objectives.

-- Provision of technical assistance. The Project will provide technical assistance for both the commodity and credit components through a Cooperative agreement negotiated with an NGO to be selected over the first three months of Project implementation by limited competition (pending approval of limited competition justification by AID/W). It is envisaged that there will be two technical specialists, one for commodity procurement and distribution, and one for credit. These two specialists would be in-country for at least two years. They would establish an office and have Ugandan counterparts. The commodity specialist would be responsible for the needs assessment survey, for procurement, and for organizing and monitoring the distribution system. Distribution would be handled by private sector distributors (including cooperatives) through commercial channels which themselves may require rehabilitation, in particular loan capital for shop reconstruction and restocking. The credit specialist would be responsible for coordinating the individual ICI's in their implementation of the credit scheme, and for the scheme's overall supervision and monitoring. As discussed above, the schemes implementation would be the responsibility of the individual ICI's. The actual make-up and organization of the NGO's office established under the Cooperative Agreement will be decided on consideration of the selected NGO's application and proposal.

As indicated in the above summaries of each component, Project design includes an institution-strengthening element related both to rural credit institutions and to commercial trading channels. First, the technical assistance provided by the NGO and the credit funds made available to the participating ICI's will supplement the efforts of those ICI's to establish a viable rural credit system. It is important to note that the institutions have initiated these efforts independent of this Project. Second, reestablishment of trading channels will be encouraged through the Project's commodity distribution.

It is important that Project design allow for flexibility in implementation because conditions in Uganda continue to be unsettled and there may be a need to adapt Project components to changing circumstances. For example, the geographic focus now includes specific war-damaged districts. It is possible that this focus will be revised to accommodate different areas as security conditions change and as the potential for meeting the Project goal and purpose are better understood.

4. Outputs

Life of Project outputs are expected to be the following:

a) 8,000 small commercial farm and rural enterprise loans, totaling the Ugandan shilling equivalent of at least $2.5 million, and

b) the availability in war-damaged areas of about $2.1 million worth of commodities for farms and rural enterprises, and about $1.4 million worth of small-sized tractors, ancillary equipment, and spare parts.

B. Project Parameters and Key Assumptions

1. Parameters

a) There are few goods available to support the rehabilitation of rural income-generating activities including farms; domestic production of inputs and manufactured goods is low; ad access to foreign exchange for imports is severely constrained.

b) Trading centers in some areas have been virtually destroyed, so the distribution of goods may be from shops which are at times a distance from the end user.

c) There has been no recent experience with small-scale farmer credit in Uganda, so although two of the three credit institutions have been operational for some time they are entering a relatively new field.

d) Given the general shortage of goods throughout Uganda, it is likely that some of the goods distributed in the Project target area will find their way to other areas. However, included in Project implementation will be control mechanisms which should discourage distribution or redistribution of goods outside the Project area.

2. Key Assumptions

a) The supply of credit is currently a constraint to increased production, and potential borrowers will be willing and capable of assuming the responsibility for repayment.

b) Farmers and other small-scale entrepreneurs are experienced in their respective fields, are aware of their specific needs, and will make productive use of the credit extended to them.

c) The participating ICI's, with Project assistance, will be capable of implementing a credit scheme which will provide timely assistance to the target population.

d) The NGO with which the cooperative agreement is negotiated can develop adequate input supply channels into the target areas, and retail trading operations will be capable of reaching the target population.

e) Sufficient control mechanisms can be developed which will offer a high level of assurance that commodities provided by the Project will be delivered to the target areas and will be available to and remain with the target population.

C. End of Project Status

By the end of the Project, it is expected that the following will have been achieved:

1. The capability of farmers in the target areas for small-scale commercial agricultural production will have been reestablished, and thus their capacity for income generation improved.

2. Non-farm productive enterprises will have been rehabilitated, resulting in a growth of income earning opportunities in the target areas.

3. Commercial trading channels, both wholesale distribution and retail sales, will have been rehabilitated, and there will be an expanded inpu delivery system in the target areas.

4. The institutional capacity on the part of participating ICI's for the administration of small-scale rural credit will have been improved, and the foundation laid for the future development of such credit.

D. Project Elements

1. Summary and Relationship to Problem

The Project has four major components: a commodity import component which will be implemented through a Cooperative Agreement; a private sector commodity import component (tractors and related equipment) which will be implemented outside of the Cooperative Agreement; a credit component; and a technical assistance component implemented also through the Cooperative Agreement. The first three of these elements is discussed in detail in the following sections. The fourth, technical assistance, is discussed as appropriate under those other elements which are associated with the Cooperative Agreement.

REDSO/ESA Contracts Division with USAID/Uganda participation will be responsible for the selection of an NGO as the grant recipient under a Cooperative Agreement. As discussed below, the NGO office, in which will be located the technical assistance, will be responsible for the procurement and distribution of small-scale commodities, as well as for monitoring the implementation of the credit scheme.

Each of the elements identified above is included to support the achievement of Project goal and purpose which, in turn, are directed toward helping to overcome the negative effects of years of social, political and economic disruptions in Uganda. Both commodity import components will provide necessary goods which have been in short supply or unavailable over the past few years, but which are necessary to the recovery and continuation of rural income-generating activities. The credit component will help overcome the initial economic difficulty rural producers face when attempting to locate finance to rebuild their enterprises, whether they be farms or other small-scale businesses. The technical assistance will provide much needed expertise to help reestablish economic infrastructure which has suffered disuse, and will facilitate the implementation of all Project components.

2. Commodity Import Component Through Cooperative Agreement

a. Introduction

The Commodity Import Component through the Cooperative Agreement will consist of approximately $2.1 million of foreign exchange to be made available to an NGO through the Agreement to import a range of agricultural, reconstruction and other productive inputs for distribution through sales in the Project's target regions. A broad range of commodities will be procured consisting in general of farm tools, agricultural machinery, implements, building materials, storage equipment and certain other eligible agricultural and productive inputs as required.

It was determined during project design that no single commodity, such as fertilizers, tractors or hand tools, would be sufficient to substantially assist private farmers and rural craftsman and distributors within the target areas in their recovery effort. It also was learned that the supply of inputs is inadequate, that a broad range of inputs is required to aid both retail distributors and users who wish to reestablish their commercial activities.

Presently, commercial supplies of inputs are limited by access to foreign exchange and by the breakdown in commercial supply links caused by war-time disturbances. By having the NGO import the necessary basic inputs and sell these for local currency to private traders, cooperatives, NGO's and others within the target regions, the Project relieves this sector from the shortage of foreign exchange and provides easier access to appropriate commodities.

The local currency generated by the sale of these inputs, as well as that from the sale of the private sector commodity imports, will be placed in a Special Account in the Bank of Uganda to be used to cover local costs of the NGO and this Project's loan program, with the balance to be programmed into development activities as mutually agreed upon by USAID and the GOU. A more detailed description of local currency generations and the establishment of and disbursement from the Special Account appears in Section 6 below. All prices, incorporating transportation, and transaction costs, will be established by the NGO with USAID concurrence.

The NGO will have the overall responsibility for the Cooperative Agreement Commodity Component. It is anticipated that over the life of the Project, the market system will be suitably revived to enable a private sector supply and distribution system within the target areas to be self-sustaining. The NGO will procure, administer and monitor this Commodity Component, keeping the GOU implementing agency and USAID abreast of their activities. The NGO is expected to review the needs of loan recipients receiving funds for commodity purchases under the Credit Component and survey the various private traders, NGO's, cooperatives, and other donors operating within the target area in order to obtain accurate assessments of the commodity input needs on an ongoing basis and prior to each major procurement.

b. <u>NGO Staffing Requirements for Commodity Component</u>

The staffing plan discussed below is an illustrative representation of the type of staffing necessary to manage the Commodity Component of the Cooperative Agreement. It is, however, expected that the NGO will propose a modified plan to fit within their organizational structure.

The NGO will require an Office of Procurement staffed with one Commodity Specialist (CS) with extensive experience in procurement management and marketing. The role of the CS will be to direct all procurement, warehousing, distribution, and accounting functions of the Office's operations. Beneath the CS will be three Ugandan supervisory assistants to manage contracting, warehousing and distribution operations. It is anticipated that each of these operations would then require a small semi-skilled support staff.

c. Commodity Distribution

For distribution and sale of the inputs to the end users within the target area, the NGO will seek to establish agreements and arrangements with private sector firms or traders and cooperative societies. The NGO will design systems with the most efficient entities and secure distributions for the retail sale of these inputs.

Likewise, to the extent appropriate, distribution will be linked to the Credit Component. The NGO must design the linkages once implementation begins. In the case where loans are provided through the Project's Credit Component to private firms who wish to rehabilitate their previously existing retail outlets, it is anticipated that loan funds would also be made available to the firm to restock commodities. Those inputs would then be obtained by the firm from the NGO and would be distributed at the retail level by the firm.

d. Local Currency Generations

All local currency proceeds from the sale of commodities financed under the Cooperative Agreement will accrue to the Government of Uganda. This local currency will be placed in a Special Account which is described in detail in Section 6 below.

e. Pricing of Commodities

The exchange rate in Uganda was recently unified from a dual rate of about 1400 Ugandan shillings to the dollar for priority imports and 5000 Ugandan shillings to the dollar for other imports, to a single rate of about 1400 Ugandan shillings to the dollar. However, a strong case can be made that the price level of imported goods in Uganda reflects an exchange rate different from that which the GOU has recently set, i.e. one closer to the previous rate of 5000 shillings to the dollar. In this situation, goods imported and priced using the 1400 shilling to dollar exchange rate would be greatly underpriced, and thus could be the basis for large windfall profits to distributors/retailers, and could be quite profitably re-exported illegally. If goods imported under this project are to reach the target populations and remain within the target area, the price level of those goods must reflect the general price level operating in the country.

To overcome the problems inherent with an overvalued exchange rate, there should be some agreement as to how Project goods will be priced. The preferred position of USAID is that the pricing mechanism will be based on market conditions, and that the inevitable windfall profits will be captured, at the original point of sale or distribution by the NGO, and will be deposited into the Special Account from which the Credit Component and other local cost activities will be funded.

Therefore, the price to distributors will be one which will be in line with overall market conditions. It will be the responsibility of the NGO to monitor exchange rates, commodity sales, and market prices on an ongoing basis to determine the most appropriate price level to be used in pricing commodities to distributors.

3. Private Sector Commodity Imports Outside the Cooperative Agreement

a. Introduction

In addition to the Commodity Component of the Cooperative Agreement, a limited account of foreign exchange ($1.4m) will be made available for the procurement of tractors, ancillary equipment, and spare parts. This component to the GOU grant provides foreign exchange for direct allocation to a Ugandan private sector importer, the Ford Motor Company representative, to finance procurement of approximately 80 small farm tractors, ancillary equipment and spare parts. This private sector import design is viewed as the most cost effective way identified by the design team it provide tractors to private farmers. Disbursements for this component will be in two tranches of about $700,000 each, as described below in Section 8, Part IV.

b. Rationale

Unlike in many developing countries where farming is manual labor intensive, farming operations in Uganda are done extensively by tractor. The size of farm holdings and the existence of flat lands and heavy soils often makes tractor power the most practical and efficient method of cultivation. Therefore, farmers in Uganda have come to depend upon this source of mechanical labor as a valuable component to their farms. Ford, who offers supplier credits to farmers through their licensed hire/credit program, estimates that average farmers can repay tractor loans within one year provided that they work full-time and offer their tractors on a hire basis when tractors are not in use for their own operations.

Since the last IDA credit for Ford tractors was exhausted in 1983 to procure approximately 95 farm tractors, Ford has been unable to secure any significant amount of additional foreign exchange to import tractors and spares. However, Ford estimates that they could market approximately 80 tractors and a significant amount of spare parts within a 12 month period, provided that foreign exchange were made available.

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Discussions with the Ford representative verified a strong demand for both tractors and replacement parts. After discussions Ford responded to the Design Team by submitting a proposal to use Project funds to import from the United States up to 60 units of 76 HP tractors and 20 units of 63 HP tractors valued at $1,200,000 and replacement parts valued at $160,000.

Tractors were the only single commodity identified by the design team requiring a large amount of foreign exchange and few AID administrative burdens, and which could be imported from within the eligible geographic source and origin. Uganda is not traditionally an important market for U.S. products. Of the U.S. farm tractor manufacturers, only two - Ford and Case - which are represented by the same dealer, maintain viable operations and adequately staffed repair facilities in Uganda. Of those two, only Ford builds an appropriate size tractor within the authorized geographic area.

4. <u>Credit Component</u>

a. <u>Introduction</u>

The Project Credit Component is designed to provide the necessary credit to small commercial farmers and other small-scale rural entrepreneurs so that they may rebuild their respective commercial income-generating activities. In the absence of detailed quantitative studies documenting demand for credit in the Project area, from the existing state of affairs, and from the public's responses to the President's promises that credit would be made available to the small farmer and rural entrepreneur, that credit is in demand and will be used to reestablish income-generating activities. Participating ICI's will administer the credit scheme under the supervision of the selected NGO. The ICI's chosen include the Uganda Commercial Bank (UCB), the Uganda Development Bank (UDB), and the Uganda Agricultural Finance Agency (UAFA). It is envisaged that a Credit Specialist, under the Cooperative Agreement, will assist in the final design of the credit scheme, and will supervise and monitor the scheme's implementation. He or she should be assisted by at least one Ugandan professional and other Project support staff. Expatriate technical assistance costs and initial costs for local supporting staff and facilities would be met with a dollar budget. Subsequent local costs would be met from the Special Account funded by local currency generations from the sale of imported commodities. In addition, all loan capital will be supplied in local currency to the ICI's from this Special Account.

b. <u>Demand for credit</u>

To determine the size and shape of the demand for credit in the targeted districts is difficult in that small but commercially viable landholders are not able to systematically make their

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needs known given the conditions in he war-torn areas. However, there is a great deal of documentation concerning the extend of commercialized agricultural activity before the most recent disturbances, and a great deal of recent observation as to the extend of the damage done to the farms, shops, etc. of the target population. The target population are those who in the past engaged in commercially viable income-generating activities, and thus are those who are likely to participate in a credit scheme designed specifically to support the recovery of such activities under existing conditions. To stimulate demand the ordinary requirement for collateral will be relaxed, and the separate efforts of the ICI's will be coordinated through the Project office.

c. Participating ICI's

UCB, UDB, and UAFA will all participate in this Project. Since each ICI represents a different approach to providing rural credit, they offer the opportunity to reach a high proportion of the target population and area.

-- Uganda Commercial Bank. In October 1984 UCB management presented to the Bank's board a paper entitled, "Financing of Small Rural Farmers," proposing that the Bank should extend production credit facilities to small rural farmers without the usual ensistence on collateral security. In June 1985 the Board gave management the go-ahead to finance this scheme under the "Rural Pilot Scheme" (RPS). The disturbances between the time of that decision and now precluded the introduction of RPS, however its basic structure fits well into the design of this Project. UCB has a large number of branches throughout the country, and it will revise the operating procedures of those branches to facilitate the provision of credit to the target population. It is estimated that loans administered by UCB will approach the upper limit of 10,000,000 Ush per loan. UCB may be able to provide 140 to 280 loans the first year, increasing by 15% each following year.

-- Ugandan Development Bank. This institution is making an effort to reorganize and establish their portfolio on a sound footing, particularly in the area of agriculture. It is currently working on a package concept of rural financing called the "outgrower-dependent agro-based industry." This involves targeting complementary elements of a total production and marketing system for production credit. For example, UDB may make a large (say US$ 1 million) loan to a "core" agro-entrepreneur, who will increase his production and install an agro-industry processing unit. It then envisions financing smaller satellite outgrowers who will supply the processing unit. An agreement between the smaller growers and the larger farmer/processor would on the one hand provide a stabble and reliable market for the smaller farmers, and on the other hand permit the more efficient utilization of the processing machinery. Funds from the RER Project would support UDB's lending activities to the smaller farmers. In the first year UDB may have one such scheme involving 2500 outgrower acres. At the moment it is unknown how many outgrowers will participate, or what the demand for small-scale loans will be.

-- Uganda Agricultural Finance Agency. UAFA is a new organization, the product of collaboration between the GOU and USAID under the Uganda Food Production Support Project. UAFA has faced prolonged delays in receiving its official GOU approval, however the Minister of Finance announced in the recent budget speech that it "will be set up" by the end of 1986. UAFA will work through the cooperative movement. it will make loans to primary societies which will then onlend to members. It expects to be operational within one year, and during its first year of operation anticipates making about 700 to 1000 loans, at Uganda shillings 300,000 to 500,000 each, in the Project area (Luwero District specifically). The Uganda cooperative movement had been one of the most effective and well organized in Africa. UAFA will work with selected primary societies to bring them back to the levels of activity they had previously, adding procedures and controls as needed.

d. Source and distribution of loan capital

Loan capital available to participating ICI's will be local currency only and will come from the Special Account into which the shilling proceeds from commodity sales will be deposited. Allotments to individual ICI's will be made from that account based on a schedule to be determined jointly by USAID and the GOU, upon recommendation of the NGO credit specialist. The Special Account, described in more detail in section 6 below, will be maintained at the Bank of Uganda (BOU). Allotments to the ICI's should be in grant form, and should be deposited into rural credit fund accounts in each ICI. It is expected that the ICI's will recycle these funds within such accounts for the purpose of achieving Project objectives during the life of the Project.

The ICI's individually are putting their own funds into their respective rural credit schemes, and are raising other funds independent of this Project. The goals of their schemes and that of this Project are similar.

e. Disbursement of credit

Once allocated local currency for the Special Account, each partcipating ICI will disburse credit according to its respective procedures. The ICI's will be responsible for judging the credit worthiness of the borrower and the economic viability of the loan purpose, and for monitoring and enforcing repayment. Repayment period will be determined on an individual basis dependent on the purpose of the loan, but in general will be over a one to two year period. The interest rate charged to final borrowers will be within three points of commercial rates. Collateral will ordinarily not be required.

f. Beneficiaries

The beneficiaries of the credit scheme will be small commercial farmers, other small-scale rural entrepreneurs, and retail shopkeepers who operate shops and would stock goods imported through the Commodity Component but who require credit assistance to do so. This Project has the potential to reach approximately 8,000 beneficiaries, with the actual number dependent on the shilling amount of individual loans.

The loans are intended to be for the recovery of rural income-generating activities. Construction materials have been included as eligible credit items but their use will be limited to the repair and/or construction of facilities which have a directly productive use, e.g. storage sheds, fencing, etc. The use of loans is not restricted to the purchase of goods imported under the Project Commodity Component. Goods imported will be distributed in the target areas and credit will be available in those same areas, but the two components are not directly with cash as well as with credit, and credit will be available for the purchase of non-Project goods.

g. Loan guarantees

USAID will work with the participating ICI's to include this Project under the Bank of Uganda's loan guarantee system. For a fee of 1.5%, the Bank of Uganda will guarantee 75% of loaned capital. However, ordinarily the Bank requires that it review each individual loan application for which its guarantee is sought, and, presumably, collateral is required. These procedures would not be practical in the case of this Project, and alternate procedures will be negotiated.

h. NGO staffing and administrative costs

Under the Cooperative Agreement, an NGO will assist in the final design of the credit scheme, and supervise and monitor the scheme's implementation. The final staffing arrangement for the NGO will be determined at the time the Cooperative Agreement is negotiated. It is envisaged that there may be two expatriate staff, and credit specialist and one commodity specialist. In addition to expatriate technical assistance, the NGO would arrange Uganda support staff, including professional, clerical and other (e.g. drivers).

The NGO's duties will include, but not be limited to:

-- Setting up a monitoring and advisory office in Kampala including contracting for appropriate space and utilities; identifying and hiring national counterpart and support staff; making appropriate contacts within ICI's, GOU Ministries, and private sector vendor organizations;

-- Supplying the necessary expatriate staff members with the appropriate expertise to accomplish the tasks assigned to the NGO; (At a minimum this will include a credit specialist and a commodity procurement and distribution specialist.)

-- Ensure that policies and procedures utilized by the participating ICI's are adequate for sound Project management and that they are appropriate to the Project goals and purpose;

-- Maintain on-going contact with the participating ICI's in order that difficulties with Project implementation are identified and remedied in a timely and efficient manner; ensure that field activities are coordinated with participating ICI's in order that all parties are cognizant of current or potential problems;

-- Monitor each of the participating ICDs' programs in terms of original achievement targets, efficiency of operations, appropriateness of management systems;

-- Provide performance reports to USAID on a timely basis so that it is current on the progress of the Project; and

-- Assure that counterparts and support staff are able to carry on the NGO assignment over the entire LOP in order that the expatriate staff can be phased out in a minimum number of years (two to three years).

The Project dollar budget includes about $3.67 million to cover the cost of the Cooperative Agreement. A breakdown of these expenditures follows: commodity imports for resale, $2.1 million; project support goods and services, $1.3 million; and NGO management costs, $0.3 million. Included in the amount for project support goods and services are expenditures for goods (e.g. motorcycles, typewriters, computers, and other office equipment) which will be granted to the ICI's in support of their implementation of the rural credit scheme, and goods (e.g. vehicles and office equipment and supplies) for the NGO office. Some local costs which may be incurred prior to the generations of local currency, specifically those related to the operations of the NGO office, are also included under this category as eligible for AID financing. Otherwise, it is expected that local costs will be covered from the Special Account by local currency generated through the commodity sales.

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5. Geographic focus

This project includes as its potential target area selected regions of the more severely war-damaged areas of Uganda. These are the "Luwero Triangle" (Luwero, Mubende, and Mpigi districts), the southwestern districts of Masaka and Mbarara, the northern central districts of Gulu, Lira, Apac, and Soroti, and the northwestern districts of Moyo and Arua. These areas have been selected on the basis of need and of economic growth potential. It is intended that most project activities will be phased to begin in selected areas of Luwero, Mubende and Mpigi districts and then to expand to other areas over time, based on such considerations as the demand for rural credit and commodities, the ability of participating ICI's and traders to meet the demand, the speed with which residents of the project areas are able to resume commercial income-generating activities, and the amount and nature of recovery assistance offered by other donors in Project areas.

The target population within each Project area will be relatively small Commercial landholding and/or entrepreneurial families (e.g., 30 acres or less) with little or no productive resources or capital to work with as a result of recent disturbances in Uganda. Since many families in some of these Project areas were once relatively prosperous (particularly by developing country standards) and since some of these areas hold the potential for great economic growth to help fuel the recovery of much of the rest of the country, much of the target population are those who show good potential for economic recovery and growth.

6. Local Currency Generations and Use

The local currency generated by the sale of commodities imported both under the Cooperative Agreement and under the private sector commodity import component will be deposited into a Special Account in the Bank of Uganda to be used to cover local costs of the NGO and this Project's rural credit program, with the balance to be programmed into development activities as mutually agreed upon by USAID and the GOU. Procedures governing local currency deposits into the Special Account must be established by the Bank of Uganda and USAID, and be provided to the NGO and the private sector importer. Disbursements from the Special Account to defray local costs associated with the NGO office will be the responsibility of the GOU and USAID jointly, and will follow a schedule established through the agreement of all parties concerned. Disbursements to participating ICI's to be used as loan capital for the rural credit scheme will be the responsibility of the GOU and USAID jointly, upon recommendation by the NGO credit specialist. Upon Project completion, available remaining funds in the Special Account will be either disbursed to the ICI's on the basis of a distribution plan prepared by the NGO and agreed to by the GOU and USAID, or used for other development purposes mutually agreed to by USAID and the GOU.

III. COST ESTIMATE AND FINANCIAL PLAN

A. Cost Estimate

Total AID Project expenditures will be $5,482,000. An illustrative breakdown of these expenditures by Project Year (PY) is shown in Table 1, Category 1. After PY1, there will be local costs related to the operations of the NGO's office, but these will be covered by local currency from the Special Account which will be funded with the sale of Project commodities.

Expenditure items under the category, "Project Support Goods and Services," are based on only an example of how the NGO may choose to organize Project implementation. A final budget will be prepared once the NGO is selected.

The Private Sector commodity component budgeted amount is based on discussion with the Ford tractor distributor. The Cooperative Agreement commodity component budgeted amount is based on estimates of small-scale commodity procurement and distribution possible over a two year time period, taking into account overall budget constraints. This amount is a very rough estimate, and may require revision as Project implementation progresses. Expenditure on ICI support inputs (motorcycles, personal computers, typewriters, and training materials) is based on discussions with the participating ICI's and on an analysis of their implementation needs.

The Ugandan supporting budget totaling 5618 million Ush, or about $4.0 million, is shown in dollar terms in Table 1, Category 2, and includes the following: Project related operating costs of participating ICI's, 1620 Ush. ($1.2 million); local currency contributions as loan capital to the rural credit scheme, 3600 Ush. ($2.5 million); and local currency contributions to the operating budget of the NGO office, 398 Ush ($.3 million). This contribution by far exceeds the 25% local contribution requirement. Local contributions are expected to come from three principal sources: first, from the costs associated with establishing and/or operating the ICIs' branch offices in the war-damaged areas for the purposes of implementing the rural credit scheme; second, from the contribution of the local currencies generated from the commodity sales component to the credit scheme; and third, from the ICIs' direct contribution to the rural credit scheme.

The entire AID contribution will be obligated in the first year.

B. Financial Plan

The method of payment for commodities financed under the Commodity Component of the Cooperative Agreement will be by Federal Reserve Letter of Credit (FRLC) to the NGO as defined in AID Handbook 13, Chapter 5, Appendix B. Under this technique, AID will open a FRLC in the amount of funding obligated by the Cooperative Agreement, against which the NGO may draw cash only for immediate disbursement needs. Commodity suppliers will be paid from letter of credit advances to the NGO against standard commercial payment documents (i.e., supplier's commercial invoice, bill of lading or other evidence of shipment, supplier's certificate form AID 1450-4, and any other documentation such as insurance receipts and packing lists as the NGO's purchasing office may require). Payment by the NGO of the Project's administrative costs will also be by FRLC.

The method of payment to the private sector commodity supplier (in this case U.S. Ford Motor Company) will be by AID Direct Letter of Commitment. The importer will be required to provide AID with a pro-forma invoice from Ford U.S. for the full value of the foreign exchange allocation and the importer's letter of acceptance, constituting a supply contract upon which a letter of commitment can be based. Ford must also provide the AID A copy of their dealership sales agreement with the Uganda representative evidencing the "special supplier importer relationship." Then, based upon formal request (AID Financing Request) by the grantee to USAID/Uganda, RFMC would be requested to issue an AID Letter of Commitment to Ford Motor Company.

Payment for the evaluation and audit will be by direct contract.

FINANCIAL CHART

ITEM	METHOD OF FINANCING	AMOUNT
Private Sector Commodity Component	Letter of Commitment	$1,400,000
Cooperative Agreement		
Commodities	FRLC	$2,100,000
Techncial Assistance and related support	FRLC	$1,570,000
Evaluation	Direct Contract, Reimbursement	$ 60,000
Audit	Direct Contract, Reimbursement	$ 10,000

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TABLE 1

ILLUSTRATIVE BUDGET: Uganda Rural Economic Recovery Project
(Foreign Exchange and Local Currency)

ITEM	PY 1	PY 2	PY 3	PY 4	TOTAL
Category 1: AID Financing ('000 U.S. Dollars)					
I. Private Sector Commodity Component	1400	--	--	--	1400
II. Coop. Agreement Commodity Component	1000	1100	--	--	2100
A. Commodities	1000	1000	--	--	2000
10% inflation	--	100	--	--	100
III. Project Support Goods and Services	560	340	320	77	1298
A. Technical Assistance	225	300	300	78	903
B. Support Staff	53	--	--	--	53
C. Equipment & Supplies	50	20	20	--	90
D. Rent	12	--	--	--	12
E. Promotional Material	50	--	--	--	50
F. Vehicles (purchase)	60	20			80
Operating & Main.	10	--	--	--	10
G. ICI Support Inputs	100	--	--	--	100
IV. Other	68	130	120	23	341
A. Evaluation	--	30	30	--	60
B. Audit	--	10	--	--	10
C. NGO Management Costs	68	90	90	23	271
V. Contingency @ 15% of III & IV	94	71	66	15	246
VI. Inflation @ 5% p.a. of III, IV, & V	--	27	521	18	97
AID FINANCING TOTAL (Items I - VI)	3122	1668	558	134	5482

TABLE 1: ILLUSTRATIVE BUDGET, continued

ITEM	PY 1	PY 2	PY 3	PY 4	Total
Category 2: Local Currency Contributions ('000 US$ equivalent of Ush contributions)					
I. Project Related Operating Costs of Participating ICI's					
UDB	13	32	60	131	236
UCB	90	116	145	179	530
UAFA	76	94	116	144	430
TOTAL	179	242	321	454	1196
II. Local Currency Contributions to Loan Capital					
All ICI's	300	734	886	580	2500
III. Local Currency Contribution to NGO Office Operations					
Staff		69	86	27	182
Supplies		13	16	5	34
Rent		13	16	5	34
Vehicle o/m		13	16	5	34
TOTAL		108	134	42	284
LOCAL CURRENCY TOTAL (Items I, II, & III)	479	1084	1341	1076	3980
GRAND TOTAL (Categories 1 & 2)	3601	2752	1899	1211	9462

UGANDA RURAL ECONOMIC RECOVERY PROJECT

Notes To Draft Illustrative Budget

CATEGORY I: AID Financing

I. Ford tractors, ancillary equipment and spares are included. The entire purchase will be made during the first Project Year.

II. Small-scale commodity purchase over first 2 Project Years by NGO. 10% inflation used to account for fact that purchases will be made from a variety of countries

III. These costs represent an illustrative budget of the expected Project support goods and services. Included are the NGO's technical assistance, NGO's office Ugandan support staff, equipment and supplies, rent and vehicles, and Project promotional material and ICI support inputs such as motorcycles, personal computers, typewriters, and training materials. Vehicles budgeted include 3 four wheel drive vehicles and one stationwagon. Some local costs for the first year are included in the dollar budget, e.g. supplies, rent, and vehicle operating expenses, because it is not clear that local currency will be available to cover these costs early in the Project. After the first year, on these expenses should be covered from local currency generated through commodity sales. For budget purposes, technical assistance includes 6 person years at $150,000 per year. Uganda support staff include up to 4 professionals, 3 secretaries, 4 drivers, one office manager, and one cleaner.

IV. Two evaluations are recommended, since the Project implementation environment is uncertain. Costs are estimated on the basis of a three-person evaluation team for three weeks per evaluation. An environmental assessment may be necessary if certain agricultural inputs are to be purchased. The cost of this is estimated on the basis of one person over a three week period.

V. Contingency has been applied to the Cooperative Agreement administrative costs and the "Other" costs only.

VI. Inflation applies to primarily U.S. (and Japanese for vehicles) costs.

CATEGORY II: Local Currency Contributions

I. Estimated ICI costs are based on UDB opening five branches over the four year period, UCB operating out of ten branches (half of whose costs are Project-related), and UAFA opening five branches. Operating costs, projected to increase 25% per year, include salaries, rent and vehicle operation and maintenance.

II. These estimated contributions represent a projected breakdown by Project year of local currency disbursements to all ICI's for the rural credit scheme.

III. The estimated contributions toward NGO office operations are based on a possible scenario as to how the selected NGO may establish its office. Costs are projected to escalate at the rate of 25% per year.

In general, it should be noted that, to arrive at a dollar equivalent of estimated local currency contributions, the current exchange rate of 1400 Ush/US$ was used.

IV. IMPLEMENTATION PLAN

A. Introduction

In the following section (B) the various implementation responsibilities of USAID/Uganda, GOU, the NGO, and the ICI's are summarized. Succeeding sections (B-F) present details of implementation plans for the NGO's Commodity Import Component, the Private Sector Commodity Import Component, the Credit Component, and the Cooperative Agreement Component.

B. Responsibilities

1. USAID/Uganda

REDSO/ESA Contracts Division will negotiate the Cooperative Agreement with the selected NGO, with USAID/Uganda participation. USAID/Uganda will monitor Project implementation and take part in any redesign and amendments as necessary. In doing so it will see that the necessary reports are prepared by the NGO. Finally, it will arrange for two Project evaluations, one after the first 18 months of implementation, and the other after 30 months, and for the audit.

2. Government of Uganda

The Government of Uganda will be responsible for participating in the programming of local currency and for monitoring Project implementation to see that the intended objectives are being met. In so doing, it will work closely with the NGO's office. In addition, it will participate in any Project redesign and amendments which may become necessary.

The implementing agency will be the Bank of Uganda. The Bank's primary responsibility will be to maintain the Special Account, and, working jointly with USAID, to disburse funds from that account to mutually agreed to activities, including those discussed in this Paper.

3. NGO Under the Cooperative Agreement

The NGO will be responsible for establishing an office, including the technical assistance and local support staff, and through that office implementing the commodity procurement and distribution activities and supervising the operation of the credit scheme. It will work with the participating ICI's to see that USAID and GOU reporting requirements are met, as well as meet those requirements itself in particular with regard to the commodity distribution activity.

4. ICI's

The participating ICI's will be responsible for the implementation of the credit scheme in cooperation with the NGO. They will provide the necessary reporting data, and will maintain use of Project inputs (or the purpose identified herein during the life of Project.

C. Implementation of the Commodity Import Component by the NGO

1. Responsibilities

The procurement financed by AID under this component of the Project will be the sole responsibility of the NGO. USAID/Uganda, with assistance from REDSO/ESA Commodity Management Officers, will monitor Project procurement.

2. Items to be Procured

Likely procurement requirements will be for items such as farm tools, agricultural machinery, implements, building materials, storage equipment and certain other eligible agricultural productive goods as required. An illustrative list, with prices and estimated quantities, of potential commodities is included in the Annex section of this Paper. This list was generated from GOU submissions regarding the need for various goods and from interviews with commodity importers and distributors. Precise details and specifications for all procurements will be developed by the NGO commodity procurement personnel. The source of individual items will vary depending on the availability of supplies, but may be the U.S. or other Code 941 countries.

3. Tendering Procedures

It is anticipated that negotiated procurement procedures will be used by the NGO. Requests for Quotations (RFQs) would therefore be issued by the NGO to solicit potential suppliers. Although many different inputs will be purchased, the consolidation of these items by the NGO into single solicitations with a limited number of procurement transactions will simply the program and ease the NGO's implementation burden.

Suppliers will be required by the NGO to provide All Risk Marine Warehouse to Warehouse Insurance in the amount of 120 percent of the C&F value of the commodities.

4. Applicable AID Regulations

The NGO may use its own procurement policies and practices for the procurement of goods and services provided they conform to AID guidelines as contained in AID Handbook 11, Chapter 4.

These guidelines govern ocean and air transportation, eligibility of commodities and suppliers, geographic source and notitification to U.S. small business firms of pending procurements.

5. Source and Origin

As Uganda qualifies as a Relatively Least Developed Country (RLDC) the officially authorized source and origin for all Project goods and services will be the U.S. and Code 941 countries. Therefore, except as may be specifically approved or directed in advance by AID, all goods and services, which will be reimbursed to the NGO under the Cooperative Agreement shall be procured in and shipped from within the authorized geographic area.

6. Method of Payment

The method of payment for commodities financed under the Commodity Component of the Cooperative Agreement will be by Federal Reserve Letter of Credit (FRLC) to the NGO as defined in AID Handbook 13, Chapter 5, Appendix B.

Under this technique, AID will open a FRLC in the amount of funding obligated by the Cooperative Agreement, against which the NGO may draw cash only for immediate disbursement needs. Commodity suppliers will be paid by the NGO against standard commercial payment documents (i.e., supplier's commercial invoice, bill of lading or other evidence of shipment, supplier's certificate form AID 1450-4, and any other documentation such as insurance receipts and packing lists as the NGO's purchasing office may require). The NGO will comply with standard reporting requirements for the use of FRLC's.

7. Implementation Schedule

Commodity procurement cannot be expected to begin until such time as the NGO has met their staffing requirements for the Purchasing Office and an initial, inputs need assessment has been finalized which identifies specific types and quantities of commodities to be procured.

Early procurements will not necessarily be geared to meet the demands of loan recipients on the credit side, but rather may reflect the immediate needs of private sector firms or traders, cooperatives and other NGO's operating within the target areas.

Based on past experience, a procurement lead time of 8 to 10 months can be expected for U.S. source and origin commodities, from time of issuance of a supply contract with the supplier to arrival of the commodities. However, it is anticipated that the bulk of all procurements would be from Kenya and other Geographic Code 941 countries.

8. Arrival and Disposition

It is the responsibility of the NGO to initiate documentation required for customs clearance of all commodities financed by the Cooperative Agreement prior to their arrival in Uganda and to insure that documentation is made available to permit goods to be moved from the port of entry promptly upon arrival.

Likewise, it is the responsibility of the NGO to inspect goods upon arrival and to document any shortages or damages so that a viable insurance claim can be initiated.

Commodities will be stored in warehouse space under the NGO's administration and supervision, or in space arranged as part of the a distribution agreement. The NGO will be responsible for maintaining inventory and distribution controls, sales records, and accounting procedures for all commodities procured by the NGO. It will also be responsible for insurance of goods from the time they are warehoused in country to their distribution by sale or consignment.

Title to all commodities financed under the Cooperative Agreement shall be vested in the NGO subject to the conditions contained in AID Handbook 13, Chapter 4, Section 19, until such time as commodities are sold to other entities and local currency payments have been received. Any commodities remaining in the NGO's possession at the end of the Project will be turned over to the Government of Uganda for continued use in follow-on distribution activities in the Project area.

D. Implementation of the Private Sector Commodity Import Component to Procure Tractors

1. Responsibilities

AID will act as the financing agent for commodities to be procured under this Component, however, procurement will be the responsibility of the Ugandan private sector importer. Since USAID/Uganda does not have a permanent Commodity Management Officer to implement a broad-based commodity import program, it was USAID's desire to limit any private sector program outside the Cooperative Agreement Commodity Component to a single importer or commodity. Inasmuch as only tractors were identified, the Regional Commodity Management Officers in REDSO/ESA will be available to assist the USAID Project Officer to implement this component. It is anticipated that several months will be required to negotiate import procedures with the GOU and Ford, for Ford to enter into a sales agreement with U.S. manufacturers, and for AID to issue a Letter of Commitment to Ford before actual shipments begin. Much of the initial implementation for this component can be handled by the RCMO with a TDY of approximately two weeks. The USAID Project

Officer will be responsible for the day to day implementation necessary to coordinate the procurement.

The decision and responsibility for the approval of an import license to the Ford dealership will rest with the GOU and the Bank of Uganda, and will be carried out under their established procedures. The local Ford representative will be expected to formally apply for an import license and for the foreign exchange set aside under this grant. As a preliminary step USAID will review Ford's application to determine that the proposed transaction is eligible for AID financing. That determination will be based upon the criteria laid down for project-financed imports under the grant and will be certified by a letter to that effect from USAID/Uganda to the GOU.

Procedures governing local currency deposits by the importer into the special account must be established by the Bank of Uganda and AID and be provided to the importer. It is anticipated that the importer would be required to deposit the full shilling equivalent of the dollar exchange into the Special Account at the time that individual import licenses are granted for commodity shipments. It is likely that the total amount of tractors and spares would be a single consolidated shipment. Local currency so generated will also be used for the rural credit scheme, local support costs of the NGO, and development projects as agreed to by the government and USAID.

2. Applicable AID Requirements

Inasmuch as this commodity support effort is essentially a Commodity Import Program (CIP), AID Regulation One is applicable to all transactions. Copies of this document will be made available to interested parties.

Special provisions contained in AID Regulation One will apply, particularly the "special supplier-importer relationship" described in Section 201.23e. Under this section when an importer is the exclusive dealer of a U.S. manufacturer under the terms of other dealership agreement, solicitation of offers (competition) from more than one supplier is not required. In the case of Uganda, where there is not a Commodity Management Officer, this simplification is highly desirable.

3. Source and Origin

As Uganda qualifies as a Relatively Least Developed Country (RLDC), the officially authorized source and origin for all goods and services will be the U.S., Code 941 and Uganda.

4. Method of Payment

Payment to suppliers (in this case U.S. Ford Motor Company) will be by AID Direct Letter of Commitment. Payment procedures under a letter of commitment are relatively straight forward.

The importer will be required to provide AID with a pro-forma invoice from Ford U.S. for the full value of the foreign exchange allocation and the importer's letter of acceptance, constituting a supply contract upon which a letter of commitment can be based. Ford must also provide to AID a copy of their dealership sales agreement with the Uganda representative evidencing the "special supplier importer relationship." Then, based upon formal request (AID Financing Request) by the grantee to USAID/Uganda, RFMC would be requested to issue an AID Letter of Commitment.

5. Shipping Requirements

At least 50 percent of the gross tonnage of all goods must be transported to the nearest sea port of entry (Mombasa, Kenya) on privately-owned, U.S. flag commercial vessels. The GOU will be responsible for assuring compliance with this cargo requirement and for imposing upon the importer such requirements regarding shipping arrangements with suppliers to assure that this responsibility is met.

The costs of transporting the goods financed under this grant will be eligible for financing. Additionally, AID will finance the cost of transportation of cargo to a point of delivery in Uganda, provided that the point of delivery, as stated on the carrier's bill of lading, is established in the carrier's tariff applicable to international shipment.

6. Insurance Requirements

Suppliers will be required to provide All Risk Marine Warehouse to Warehouse Insurance in the amount of 120 percent of the C&F value of the commodities. AID will finance premiums for marine insurance, including war risk, in accordance with provisions contained in AID Regulation One.

7. Commodity Arrival and Disposition

An import license together with shipping documents and the commercial invoice, are required to clear goods from the port of entry. Presenting these documents at the port will be the responsibility of the importer. Once cleared, goods are inspected by the importer and any claims for loss or damage are instituted. The importer should ensure that AID financed goods are promptly cleared from customs upon entering Uganda. In no event, however, shall goods be permitted to remain in the port of entry for longer than 90 days from the date of their arrival.

The importer shall also ensure that goods imported under this grant are put into use or sold not later than twelve months from the date they are removed from customs, unless a longer period can be justified to the satisfaction of AID by reasons of force majeure, special market conditions or other circumstances.

No major problems are foreseen in the disposition of the commodities to be financed. Given the extreme shortage in Uganda of tractors and spare parts it is anticipated that the commodities would be distributed within 12 months. Since all commodities are being imported by a private sector dealer, distribution will be through their established network.

Under the terms of the Project Agreement, the importer shall permit AID or any of its authorized representatives at all reasonable times during a three year period following the date of payment by AID for the commodities, to inspect the commodities at any point, including the point of use, and to inspect all records and documents pertaining to such commodities.

Likewise, the GOU will assure that commodities financed under this project will be effectively used for the purposes for which the assistance is made available. To this end, the GOU will be expected to use its best efforts to assure that accurate arrival and clearance records are maintained by customs authorities; that commodity imports are promptly processed through customs at ports of entry; that commodities are removed from customs and/or bonded warehouses within ninety days; and that the commodities are used or sold by the importer not later than 12 months from the date the commodities are removed from customs. In addition, USAID will work with the GOU to establish a system of registration for the tractors imported under this Project whereby their original sale by the dealer is officially registered, and their resale must be also be registered. However, under the terms of registration resale would not be permitted, except by special permission, during the first three years of ownership. In this way, the tractors are more likely to remain with the intended beneficiaries at least during the life of the Project.

8. Implementation Schedule

Following the signing of the Project Agreement, an implementation letter will be sent to the Grantee enclosing Commodity Procurement Instructions and a sample Financing Request. With little prior experience operating this type of private sector CIP in Uganda it is difficult to tell how long it will take before CPs are met, import licences can be issued, and financing requests can be returned to AID. However, it is anticipated that administrative work on the part of the GOU and AID would be completed within six months of the signing of the agreement and that production and shipments could then begin immediately. Approximately four months could be estimated for the U.S. manufacturer to complete production of the first units and another three for shipment to Uganda.

Disbursement of funds for this Project component will be in two tranches, each totaling about $700,000, the first to be released as soon after Project obligation as possible once the requirement set forth herein are met, and the second to be released nine months later.

E. Implementation of the Credit Component

1. Responsibilities

USAID, through the REDSO/ESA Contracts Division, will be responsible for entering into a Cooperative Agreement with an NGO or a consortium of NGO's for implementation of the Project commodity component and supervision of the credit component. Once the credit scheme is in place, the NGO will be responsible for supervising and monitoring the activities of the ICSs, whose responsibility will be to implement the provision of credit and its repayment. The allotment of funds from the Special Account for the credit scheme will be under the control of the NGO.

2. Staffing

The NGO's office staffing will be the responsibility of the NGO under the Cooperative Agreement. ICI Project-related staffing generally will be the responsibility of the individual ICI's. However, where the project requires an ICI to enter a geographic area not originally part of the ICI's planned program, or to accelerate its program, additional staffing requirements may be funded by the Project, subject to negotiations among USAID, the NGO and the ICI. The associated costs of these additional requirements will be included as Project expenditures only when local currency is involved. The Project will not provide foreign exchange to meet staffing requirements within individual ICI's.

3. Disbursement of loan capital

Loan capital will come primarily from local currency generations deposited in the Special Account (see Section 6, Part IV). Allotment of local currency as loan capital to individual ICI's will be under the control of the GOU and USAID jointly, upon recommendation by the NGO credit specialist. Upon project completion, available remaining funds identified for use in the credit scheme will be disbursed to the ICI's on the basis of a distribution plan prepared by the credit specialist and agreed to by the GOU and USAID.

4. Lending Procedures and Conditions

In general, lending procedures and conditions will be determined by a combination of project-specific guidelines and existing ICI operations. In particular, the interest rate charged by all ICI's to final borrowers will be standardized and will approximate a commercial rate of interest, and collateral will not be required. Although this latter condition implies a higher level of risk, it is justified on the grounds that the loan capital is a grant and thus significantly reduces the overall cost of the credit scheme to the ICI's who can therefore assume greater risk.

Loans by UDB and UCB are expected to be in the range of 3,000,000 to 10,000,000 Ugandan shillings, and by UAFA to individuals through primary cooperative societies 300,000 to 500,000 shillings. Given the uncertain economic environment, a final determination about a floor and ceiling to individual loans will be made by the NGO, in consultation with the ICI's, with USAID concurrence. It is envisaged that there will be a series of ceiling tiers, with more restrictive conditions applying as the loan amount grows. For example, loans to a certain level will require only the approval of the respective responsible ICI field officer, to the next higher level the approval of the respective ICI head office, and over this second level the approval of the NGO's office. A separate arrangement may be made in the case of loans to primary cooperative societies which will handle the on-lending of funds to individual members.

5. Procurement

Implementation of the credit scheme by the ICI's will require certain commodities which will be procured by the NGO under their Cooperative Agreement using Project funds and granted to the ICI's. These commodities will include approximately 15 motorcycles, 20 manual typewriters, 3 personal computers, and training and promotional literature. It will be the responsibility of the NGO to arrange the procurement of these commodities in accordance with the applicable AID regulations, including the issuing of any necessary waivers. Procurement for any individual ICI will not be initiated until the respective ICI has submitted final Project implementation plans to the satisfaction of the NGO's office and USAID. Such plans must be submitted within nine months of Project obligation in order for the respective ICI to be eligible for these commodities. Selection of commodities to be procured for any individual ICI will be determined by the NGO's office with final approval resting with USAID.

6. Implementation Schedule

The Credit Component cannot be expected to begin until such time as the NGO has met their staffing requirements and individual ICI's have submitted to the NGO's office acceptable final implementation plans. Once the NGO's office is fully operational, an individual ICI may begin implementation upon acceptance of its plan and allocation to it of credit funds from the Special Account. Geographic focus and loan volume may be controlled by the NGO's office dependent upon various factors including the availability of commodities for which credit is extended.

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F. Implementation of the Cooperative Agreement

1. Responsibilities

On behalf of the GOU, REDSO/ESA Contracts Division with USAID/Uganda participation will be responsible for the selection of an NGO as the grant recipient under a Cooperative Agreement for the purposes of Project implementation as described herein. The mechanism of a Cooperative Agreement has been chosen because AID anticipates the need for substantial participation on its part in Project implementation, in particular as regards the review and approval of major implementation actions and the handling of issues revolving around the exigencies of adapting to a changing and uncertain environment. However, given the pressing demands on the Mission of on-going projects, the Mission can not assume the burden of day-to-day Project management. Thus, to a large extent Project management will be the responsibility of the NGO.

2. Selection of a Grant Recipient

After Project obligation and upon approval by AID/W of a justification for limited competition in the selection of a grant recipient (submitted in 86 Kampala 2901 dated 29 August 1986), each of the six NGO's identified as particularly suited to Project implementation will be provided with a Request for Application (RFA). The six NGO's are: Agricultural Cooperative Development International (ACDI), CARE, Experience in International Living (EIL), Technoserve, Volunteers in Technical Assistance (VITA), and World Council of Credit Unions (WCCU - formerly CUNA). Of these six, three (ACDI, CARE and EIL) are the only American NGO's appropriate to this Project now in Uganda, and two others (Technoserve and WCCU) have had previous Ugandan experience. Individually they represent some of the most qualified expertise in their respective fields.

Within this context, the involvement and participation of entities covered by the Gray Amendment will be encouraged to the maximum extent practicable. The Request for Applications (RFA) will stress AID's commitment to this requirement and emphasize that, all other things being equal, the involvement of such entities in a prospective recipient's application may be a deciding factor for award. In addition, the Cooperative Agreement will contain a requirement for all commodity purchases in excess of $25,000 to be advertised in AID's Office of Small and Disadvantaged Business publications.

It is expected that RFAs will be issued within one month of Project obligation, and that the NGO's will then have two months in which to prepare and submit their applications. Thus execution of the Cooperative Agreement can not be expected until early 1987, and the commencement of implementation shortly thereafter. An NGO's application may involve the individual NGO alone or a combination of two or more NGO's as long as the primary and responsible applicant is one of the six identified above.

Technical evaluations of the applications will be conducted by USAID/Uganda and GOU. Negotiations will be conducted by the Regional Contracts Officer, REDSO/ESA.

Selection criteria will include but not necessarily be limited to the following:

-- current and/or previous experience in Uganda;

-- current and/or previous experience with the design and/or management of rural credit schemes and of commodity procurement and distribution systems;

-- current and/or previous experience with the implementation of AID projects and the associated reporting and other requirements and regulations;

-- compatibility of proposed implementation plan with Project objectives, and the plan's likelihood of success in achieving those objectives; and

-- viability of proposed Project implementation, including the budget, staffing levels, credit and commodity component details, and relationships with participating local institutions;

3. Administrative Costs

To the extent possible, the NGO will use a portion of the shilling remunerations from the sale of commodity inputs deposited into the Special Account to cover local expenditures. This will maximize the availability of dollars for import of essential commodities. Accordingly, the NGO will prepare both a dollar and shilling budget. Disbursements from the Special Account to defray local costs associated with the NGO office will be the responsibility of the GOU and USAID jointly.

4. Commodities

Certain commodities will be necessary for the NGO to function. It is expected that included will be two or three four wheel drive vehicles, one or two station wagons, and office equipment. A list and budget will be finalized and procurement initiated (with waivers as necessary) upon negotiation of the Cooperative Agreement. It should be noted that Uganda qualifies under the blanket waiver for right-hand vehicles recently issued by AID/W.

V. MONITORING AND EVALUATION

A. Monitoring

The NGO's office will be responsible for routine monitoring of the Commodity and Credit Components. Its personnel will be expected to make regular visits to Project areas, including sales agents and ICI's in Kampala, to verify that commodity distribution and the disbursement of credit is progressing as planned. In particular with regard to the Commodity Component, the respective sections of this Paper give detail of the specific monitoring responsibilities of the NGO charged with procurement.

Quarterly progress reports should be submitted by the NGO's office to the USAID Project Manager, who will be responsible for overseeing Project implementation. If there are only two technical assistants, the Credit Specialist should be the supervisory position and this responsible for meeting the various reporting requirements. The Project budget includes a line item for an audit which should be conducted after about 18 months into the Project.

The decision to use a Cooperative Agreement with an NGO for Project implementation has been taken in part to lessen the Project demands made on the Mission. The Project Manager, who will be the Project Development Officer, will have numerous other responsibilities, and thus will be unable to monitor implementation on a day-to-day basis.

B. Evaluation

Given the uncertain social and economic environment in which Project implementation will take place, there should be two evaluations, one 18 months after project obligation and the other 30 months after obligation. In this way, the first evaluation will take place probably about one year after project activities will have started in earnest, and could form the basis of redesign if necessary. An evaluation at the end of 30 months will be particularly useful if the contracts of the technical assistants are for two and a half to three years, and thus at that point in time will be coming to an end. In addition, this second evaluation could focus on commodity distribution and on loan repayment.

VI. CONDITIONS AND COVENANTS

A. Prior to any disbursement, or to the issuance of any committment documents under the Project Agreement, the Cooperating Country shall furnish in form and substance satisfactory to AID, evidence of the establishment of a Special

Account for the deposit of local currency generated by Project commodity sales

B. The Cooperative Agreement shall provide that prior to the disbursement of funds for commodities to be granted to each participating ICI to assist in implementation of its rural credit scheme, the ICI will furnish to the NGO office, in form and substance satisfactory to AID, an implementation plan for the rural credit scheme which demonstrates that Project commodities provided to the ICI will be used to achieve the Project's objectives during the life of the Project. The Cooperative Agreement shall further provide that the implementation plan for each participating ICI must be submitted within nine months of the date of obligation or the ICI will not be eligible to receive commodities in support of its rural credit scheme.

VII. SUMMARIES OF ANALYSES

A. Economic and Financial Analysis

For the last several years, stagnant nominal foreign exchange earnings and rising debt service payments have reduced Uganda's foreign exchange resources. In addition, Uganda spends approximately 40 percent of its remaining foreign exchange on petroleum imports. Therefore, over the last few years there has been a decreasing amount of hard currency available for the import of both consumer and investment goods. At the same time, a growing proportion of available funds has been allocated for consumer goods, thereby reducing that quantity available for the importation of investment goods.

Demand for the importation of productive goods in Uganda remains high. During the 1970's, investment in Ugandan productive capacity was not maintained. This situation deteriorated as repeated wars and civil disturbance either destroyed directly investment goods or destroyed an environment conducive to individual investment. Foreign exchange made available by the IMF during Obote's second regime has been criticized because it was used principally to import consumer items and provided little encouragement for the importation of productive materials. Records from the mid 1980's show that the situation has not changed and that over half of the foreign exchange allocations made by the Bank of Uganda finance the import of consumer items. While the availability of these items provides a strong incentive for surplus production, especially of agricultural products, it does little to restore the productive capacity of either agriculture or industry. Thus, the importation of production goods is important both in light of Uganda's severe and increasing shortage of foreign exchange and in terms of increasing the foreign exchange

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earnings of the country.

One concern regarding the importation of these commodities results from the Government of Uganda's recent decision to unify the exchange rate at 1400 Ugandan shillings to one U.S. dollar. The unofficial exchange rate is currently estimated to be between 8,000 to 10,000 Ugandan shillings to one U.S. dollar. This overvalued exchange rate provides a strong financial incentive to resell commodities imported at the official exchange rate and thereby reap substantial windfall gains.

However, the discounted present value of short to medium term financial returns expected to accrue to the use of the imported equipment is expected to exceed even the benefits of resale. This is due to such factors as the high rental rate for tractor hire services, the increase in yield resulting from better cultivation methods, and higher prices paid for semi-processed produce. The view also corresponds to observations made by government officials, importers, and farmers that resale will not occur in most cases since returns to use would be higher than returns to resale. All caution, however, that care should be taken to ensure that the commodity is sold to a legitimate user. This is of particular concern with respect to the tractor component. Discussions with the relevant tractor importer have resulted in a procedure whereby USAID would be assured of the residence, occupation, and registration of the tractor. Concerns, therefore, have been reduced.

B. Social Soundness Analysis

With the disruptions of the 1970's and early 1980's, most of the quality social and business systems that had been developed in the preceding decades were seriously damaged, leaving Uganda today one of the poorest countries in the world. In the face of this destruction, however, Ugandans have not lost their ability to work hard, to expect their situation to improve, and to plan for their involvement in their personal and community rehabilitation. Therefore, there remains hope, determination, initiative and a strong will to overcome the difficulties of the past 15 years. It is this positive attitude, combined with the relatively high level of natural wealth of the country, which lend tremendous support to the success of the Project.

The beneficiaries of this Project are those people who have been most disadvantaged by the last several years of physical destruction and personal violence. The target population are those families in the low to medium income groups who have the potential to help themselves and participate in small-scale commercial, income-generating activities. The Project areas selected have been characterized generally by widespread displacement of the local populations who have suffered at least partial loss of their homes, personal possessions, and resources for income generation.

C. Technical Analysis

Project design takes into account the difficult conditions one now encounters in Uganda when attempting to implement any kind of development project. Much of the country's physical and economic infrastructure has been seriously damaged or has fallen into disuse. In particular since the Project's purpose is to assist in the reconstruction effort, it is not possible to avoid these conditions. To enhance the feasibility of Project implementation, two specialists, one for commodity procurement and distribution and one for rural credit, are included, as well as a local support staff. The presence of a Project office, established as part of a Cooperative Agreement with an NGO, staffed by these personnel will remove the burden of day-to-day Project management from the Mission.

Commodity distribution will require a good amount of organizational work, but information gathered during the Project design stage indicates that existing distributors and transporters are available, capable and willing to participate. The Intermediate Credit Institutions which will implement the local currency activity of provision of rural credit are in varying states of preparedness, with two ready to begin operations and one well developed but not operational yet. The third should be operational within nine months.

Both Project design and the method of implementation are believed to be the most suitable and cost effective. The need for overall supervision and for assistance in commodity procurement and distribution justifies the expenditure required for the cooperative agreement. The need for basic commodities as inputs into income-generating activities justifies the expenditure on their importation. Including distribution through commercial channels as a Project element, and the provision of credit as a local currency activity through ICI's, both supports the achievement of Project objectives and assists in the overall rehabilitation of commercial and institutional infrastructure. In general, however, that the environment in Uganda remains unstable requires that the Mission and Project Office monitor Project implementation carefully so as to be cognizant of the need for design revision when necessary.

Only a relatively small proportion of the actual returning population in each Project area will have direct access to Project commodities. However, the ICI's credit facilities will be available to many, and as local supply lines are re-established in part through the efforts of this Project, all area residents will benefit by the resumption of trading centers.

Two major issues are raised. One is that perhaps the whole of

Uganda can be said to be war-damaged and worthy of support, but such an effort is not possible within one project and by one donor. The other is that achieving Project objectives will require a longer term timeframe than what the target population may prefer, and thus it may take some months before Project activities reach some people, but this is justified by the longer term benefits possible through such an approach and by the nature of the needs in Project areas.

D. Institutional Analysis

An institutional analysis of each of the participating intermediate credit institutions is required prior to the use of local currency as loan capital and to the disbursement of foreign exchange in support of an individual ICI's implementation of a rural credit scheme. A credit specialist was included for a short period on the Project design team, but had insufficient time to complete the analyses. His preliminary findings were that the ICI's being considered are sound and appropriate for this Project, and that each offers a different and unique approach to providing credit to the target population. Because of these different approaches, greater coverage of the target population is likely.

Three ICI's have been selected as Project participants: Uganda Commercial Bank (UCB), Uganda Development Bank (UDB), and Uganda Agricultural Finance Agency (UAFA). Of these, two (UCB and UDB) are included as ICI's in USAID's Rehabilitation of Productive Enterprises Project, and the third (UAFA) is the product of another USAID project, Food Production Support. UCB and UDB have undergone institutional anlayses in connection with the RPE project, and thus should require only that portion of the analysis which would relate specifically to the rural credit scheme. UAFA is not yet operational, and an analysis of it would await its formal establishment.

The necessary analyses can be conducted and prepared by the credit specialist under the cooperative agreement. This task would be one of the first tasks of that specialist once the agreement is awarded and the personnel are in-country, and would form the basis for planning the necessary assistance of the specialist and the other NGO Project Office credit staff to the ICI's. Such action is justified given the favorable preliminary results of the study conducted by the design team's credit specialist, and the existing relationship between USAID and the proposed Ugandan ICI's.

E. Other Analyses

An administrative analysis is unnecessary because the majority of the Project implementation will be conducted by the NGO's Project Office and by the participating ICI's. The GOU's implementing agency, the Bank of Uganda, will have as major implementation tasks only the administration of the special account into which local currency generated by commodity sales will be deposited and from which that currency will be withdrawn for expenditures on local currency activities. An environmental analysis is also currently unnecessary. It should be noted that the Project has been listed as one of the projects in the general environmental evaluation of projects to be carried out in September 1987 as outlined in para. 13 of 86 Nairobi 027671.

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ANNEX A

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UNCLAS SECTION 01 OF 03 STATE 228657

AIDAC, NAIROBI FOR REDSO/ESA

E.O. 12356: N/A
TAGS:
SUBJECT: UGANDA RURAL ECONOMIC RECOVERY PROJECT (617-0128)

(A) KAMPALA 01795 (B) KAMPALA 02044 (C) SAIERS - PODOL TELECON 7/11/86 (D) KAMPALA 01985

1. SUMMARY: THE AFRICA BUREAU REVIEWED THE TWO PID CONCEPT CABLES (REFS A AND B) AND CONCURS WITH THE GENERAL AIMS OF THE RER PROJECT. THE BUREAU HEREBY DELEGATES AUTHORITY TO USAID/KAMPALA TO APPROVE AND AUTHORIZE THE PROJECT WITH APPROPRIATE REDSO/ESA CONCURRENCE AS REQUIRED UNDER DOA 140. LIFE-OF-PROJECT FUNDING WILL BE LIMITED TO DOLS 5,482,822, THE AMOUNT AVAILABLE FOR REOBLIGATION FROM DEOBLIGATIONS FROM MANPOWER FOR AG. DEVELOPMENT (617-0123) AND OILSEEDS PRODUCTION (617-0126). PER REF C THE BUREAU ANTICIPATES THE NEED FOR OUTSIDE ASSISTANCE TO DEVELOP THE PROJECT IN TIME FOR OBLIGATION THIS FY. AID/W, REDSO, AND THE MISSION MUST REMAIN IN FREQUENT CONTACT TO COORDINATE THE PERSONNEL REQUIRED TO COMPLETE DESIGN OF THE RER PROJECT. THE BUREAU CONSIDERS DEVELOPMENT OF THE PROJECT A TOP PRIORITY. END SUMMARY.

2. THIS CABLE PRESENTS THE BUREAU'S RESPONSE TO THE MISSION'S CONCEPT OF THE PROJECT AS DEVELOPED TO DATE. OUR RESPONSE IS PRESENTED IN THREE PARTS: FIRST, QUESTIONS/ISSUES RAISED IN AID/W (PARA 3); SECOND, THE BUREAU SUGGESTIONS FOR PROJECT DESIGN (PARA 4); THIRD, PROJECT DEVELOPMENT (PARA 5).

3. THE PROJECT PROPOSAL TO PROVIDE LOCAL CURRENCY CREDIT TO RESIDENTS OF WAR-DAMAGED AREAS THROUGH BRANCHES OF THE UGANDA COMMERCIAL BANK (WITH POSSIBLE NATIONAL RESISTANCE COMMITTEE INVOLVEMENT) IN 23 COUNTIES OF UGANDA GENERATED THE FOLLOWING QUESTIONS:

A. MAINTENANCE OF VALUE. THERE COULD BE A SIGNIFICANT LOSS TO THE VALUE OF OUR DOLLAR INVESTMENT THROUGH (1) THE EXCHANGE RATE AND (2) INFLATION. WITH

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TWO EXCHANGE RATES IN UGANDA (1,500 AND 3,000 TO THE U.S. DOLLAR), WE HAVE TO OBTAIN THE HIGHER RATE OR LOSE TWO THIRDS OF THE PROJECT VALUE TO EXCHANGE RATE LOSS. THIS POINT WAS ADDRESSED BRIEFLY IN REF B BUT REQUIRES FURTHER CLARIFICATION. EVEN WITH THE HIGHER RATE, SUBSTANTIAL LOSSES COULD OCCUR THROUGH INFLATION IF LC PURCHASED WITH DOLLARS WERE NOT LENT ALMOST IMMEDIATELY AFTER PURCHASE. WITH INFLATION RUNNING OVER 100 PERCENT, MAJOR LOSSES WOULD OCCUR IN A FEW WEEKS; THEREFORE, ANY PLAN TO LEND LC PURCHASED WITH U.S. DOLLARS WOULD HAVE TO ESTABLISH A TIGHT SCHEDULE FOR TRANCHING LC PURCHASES AND ON-LENDING THESE FUNDS.

B. ADMINISTRATIVE CONCERNS: REF A ESTIMATES THERE WILL BE OVER 10,000 LOANS DISTRIBUTED THROUGH 25 COUNTY LOAN FUNDS IN THE FIRST ROUND OF LENDING. THESE NUMBERS IMMEDIATELY RAISE QUESTIONS ABOUT THE UNAVOIDABLY HIGH ADMINISTRATIVE BURDENS ASSOCIATED WITH SUCH A LOAN PROGRAM. CAN THE UCB ACTUALLY ADMINISTER THIS LOAN FUND? IS IT WILLING TO SET UP THE MECHANISMS TO DO SO? ALSO, HOW WILL 25 RCS BE TRAINED TO ASSESS LOAN APPLICANTS? WILL THE UCB BRANCH OFFICES AND RCS IN THOSE AREAS COOPERATE IN

MAKING THESE LOANS? FROM OUR VANTAGE IT APPEARS THAT THE ADMINISTRATIVE COSTS ASSOCIATED WITH EACH LOAN WILL LIKELY EXCEED THE VALUE OF THE LOAN AND THE ANTICIPATED ECONOMIC BENEFITS OF THE LOAN, ESPECIALLY IF DELINQUENCIES AND DEFAULTS ARE TAKEN INTO ACCOUNT.

C. ROLE OF RESISTANCE COMMITTEES: WE RECOGNIZE THE VALUABLE DEVELOPMENT ROLE RCS MAY BE PLAYING IN SOME AREAS OF UGANDA AND THE INTEREST THE GOU HAS IN UTILIZING THESE COMMITTEES FOR A VARIETY OF GOVERNMENT PROGRAMS. STILL, THERE IS CONCERN THAT THE RCS COULD BECOME AN UNNECESSARY LAYER IN APPROVING LOAN APPLICATIONS AND THAT THE RCS COULD BE SUBJECT TO, OR THE SOURCE OF, UNWANTED PRESSURES IN MAKING DECISIONS THAT SHOULD REMAIN PRIMARY BUSINESS DECISIONS BETWEEN BORROWERS AND FINANCIAL INSTITUTIONS.

D. AREA: SPREADING THE PROPOSED LOAN FUND TO 25 COUNTIES WILL CONTRIBUTE TO HIGHER ADMINISTRATIVE COSTS AND WILL SUBSTANTIALLY DILUTE THE IMPACT OF THE PROJECT.

E. AVAILABILITY OF INPUTS: UNLESS PRODUCTIVE INPUTS ARE AVAILABLE FOR PURCHASE BY BORROWERS, OUR LOANS WILL BE DIVERTED FOR NON-PRODUCTIVE PURCHASES AND CONTRIBUTE TO THE ALREADY HIGH INFLATION RATE. WE

UNDERSTAND PER REF B THAT THE MISSION IS CURRENTLY CONDUCTING A MARKET SURVEY TO PROVIDE MORE INFORMATION ON INPUT AVAILABILITY AND MARKETING ARRANGEMENTS.

F. NEED FOR CREDIT: THE QUESTION OF WHETHER LC CREDIT IS A MAJOR CONSTRAINT TO REHABILITATION OF WAR-DAMAGED AREAS REMAINS TO BE ANSWERED--ESPECIALLY FOR THE SMALL LOANS ANTICIPATED (DOLS 375 AVERAGE). RURAL EXTENDED FAMILIES USUALLY ASSIST MEMBERS IN MAKING THE NECESSARY SMALL PURCHASES (SEEDS, HOES, LABOR, ETC.) TO REESTABLISH THEMSELVES. IT COULD BE THAT LOANS FOR LARGER PURCHASES (TRACTORS AND OTHER MECHANIZED FARM EQUIPMENT) CONSTITUTE A MORE SERIOUS CONSTRAINT TO THE SALE AND USE OF INPUTS FOR PRODUCTIVE EFFORTS.

4. AS A RESULT OF OUR CONCERNS NOTED IN PARA 3, THE BUREAU OFFERS THE FOLLOWING SUGGESTIONS FOR MISSION CONSIDERATION DURING FINAL DESIGN OF THE PROJECT:

A. RESTRICT PROJECT AREA: THE BUREAU FEELS THE PROJECT AREA MUST BE MORE SHARPLY FOCUSED TO MAXIMIZE IMPACT AND REDUCE ADMINISTRATIVE BURDENS. WE RECOGNIZE THAT THE GOU WOULD LIKE TO SPREAD BENEFITS TO AS MANY WAR-AFFECTED AREAS AS POSSIBLE, BUT THE SIZE AND NATURE OF THIS PROJECT CANNOT BE DISTRIBUTED EFFECTIVELY TO 22 COUNTIES. THE PROJECT SHOULD AT LEAST FOCUS ON A SMALLER GEOGRAPHIC AREA IN THE BEGINNING AND ONLY EXPAND ACTIVITIES TO OTHER AREAS AS PROJECT SUCCESS WARRANTS.

B. CIP: IN THE ABSENCE OF A MARKET STUDY WHICH INDICATES THE AVAILABILITY OF THE APPROPRIATE PRODUCTIVE INPUTS FOR SALE TO BORROWERS, THE BUREAU SUGGESTS THE MISSION CONSIDER A COMMODITY IMPORT PROGRAM FOR A PORTION IF NOT ALL OF THE AVAILABLE FUNDS. A CIP WOULD ENSURE THAT AT LEAST SOME OF THE NEEDED INPUTS ARE BROUGHT INTO UGANDA. A CIP WOULD ALSO GENERATE (ALBEIT MORE SLOWLY THAN DIRECT DOLLAR PURCHASE) LOCAL CURRENCY FOR USE BY COMMUNITIES IN WAR-AFFECTED AREAS. IF A CIP IS FINALLY INCORPORATED INTO THE PROJECT, USE OF AN AUCTION FOR EITHER DOLLARS OR IMPORT LICENSES SHOULD BE CONSIDERED.

C. USES OF LOCAL CURRENCY: THE BUREAU SUGGESTS THAT LOCAL CURRENCY GENERATIONS BE DEPOSITED INTO A SPECIAL ACCOUNT TO BE USED AS FOLLOWS:

(1) LC GENERATIONS DEPOSITED INTO THE SPECIAL ACCOUNT SHOULD AT SOME POINT BE GRANTED TO THE GOU OR TO LOCAL ENTITIES (REGARDLESS OF WHETHER THEY ARE USED INITIALLY FOR LOANS OR LOAN GUARANTEES). ONE SUGGESTION WE PROPOSE IS TO GRANT THE FUNDS TO LOCAL COMMUNITIES (PERHAPS WITH THE INVOLVEMENT OF RCS) THAT HAVE PRIORITIZED PUBLIC REHABILITATION ACTIVITIES (REPAIR OF ROADS, BRIDGES, SCHOOLS, WELL-DIGGING, ETC.). A PVO WITH UGANDAN EXPERIENCE MIGHT BE THE

APPROPRIATE AGENT TO HELP COMMUNITIES IDENTIFY AND PRIORITIZE THEIR REQUIREMENTS; IMPORT AND DISTRIBUTE COMMODITIES; AND UTILIZE LC FUNDS ON BEHALF OF COMMUNITIES.

(2) IF IT IS DETERMINED THAT LC CREDIT IS A MAJOR CONSTRAINT WHICH CAN AND SHOULD BE ADDRESSED IN THE PROJECT, THE LC COULD BE PURCHASED WITH DOLLARS OR GENERATED THROUGH A CIP; HOWEVER, RATHER THAN

SUPPLYING LOANS TO THOUSANDS OF RURAL INDIVIDUALS, YOU MIGHT CONSIDER USING THE LC (ON AN AS NEEDED BASIS) AS LOAN GUARANTEES TO SUPPLIERS WHO EXTEND CREDIT TO CUSTOMERS IN THE PROJECT AREA. A LOAN GUARANTEE MECHANISM WOULD BE MUCH EASIER TO ADMINISTER THAN AN EXTENDED RURAL CREDIT SCHEME. THE BUREAU WOULD EXPECT SUCH A GUARANTEE ARRANGEMENT (OR ANY OTHER LOAN PROGRAM) TO ROTATE FUNDS ONLY ONCE (TO FACILITATE SALE OF THE IMPORTED ITEMS IN THE CASE OF A CIP OR TO PURCHASE GENERALLY AVAILABLE PRODUCTIVE INPUTS IN THE ABSENCE OF A CIP). THE BUREAU DOES NOT FAVOR A LONG TERM REVOLVING LOAN FUND.

5. PROJECT DEVELOPMENT: THE BUREAU RECOGNIZES THE NEED TO MOVE VERY QUICKLY TO DEVELOP THIS PROJECT. WE BELIEVE THAT WITH THE DEPARTURE OF SOME USAID/KAMPALA STAFF THIS SUMMER, TDY ASSISTANCE WILL BE REQUIRED TO CARRY OUT THE NECESSARY ANALYSES AND WRITE UP OF THE PP. IN PARTICULAR, A COMMODITY SPECIALIST, A CREDIT SPECIALIST, A COMMUNITY DEVELOPMENT SPECIALIST, AND A PROJECT DESIGN OFFICER SHOULD BE PART OF THE DESIGN EFFORT. WE ARE TRYING TO IDENTIFY POSSIBLE CONTRACTOR RESOURCES FOR TDY IN UGANDA AND WILL DISCUSS WITH YOU OUR PROGRESS IN THE COMING WEEK.

6. FOR REDSO AND KAMPALA: PLEASE ADVISE US OF THE STAFF THE MISSION AND REDSO CAN APPLY TO THIS EFFORT.

7. WE HAVE DRAFTED A CN BASED ON REF D; HOWEVER, WE EXPECT THE MISSION WILL BE MAKING MODIFICATIONS TO THE PROJECT AS DESIGN EFFORTS PROCEED. BECAUSE WE WANT TO SUBMIT THE MOST CURRENT INFORMATION TO THE HILL, PLEASE UPDATE YOUR CN INFORMATION ON THIS PROJECT BY JULY 25. SHULTZ
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ANNEX B

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1986
Total US Funding: $5,482,000
Date Prepared: 09/15/86

Project Title & Number: UGANDA RURAL ECONOMIC RECOVERY PROJECT (617-0108)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
I. GOAL: To provide residents of war-damaged areas of Uganda with the opportunity to rebuild their lives and resume economic growth and development	Increase in production and productivity in war-damaged areas (increased yields, increased acreage, increased number of enterprises)	Economic data from project areas	Peace and stability are maintained in project areas; Economic factors external to project area are favorable
II. PROJECT PURPOSE: To support rehabilitation of rural income generating activities by making available to residents of war-damaged areas, both necessary commodities and credit.	END OF PROJECT STATUS a. Improved capability of farmers for agricultural production and thus for income generation b. Improved capability of ICI's to administer rural credit scheme c. Rehabilitation of non-farm productive enterprises d. Rehabilitated commercial trading channels	MEANS OF VERIFICATION Evaluation, observation, monitoring	IMPORTANT ASSUMPTIONS a. ICI's are able to deliver services in project areas safely and in a timely manner b. Suppliers are able to deliver appropriate commodities to project areas c. Borrowers will make productive use of credit extended

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III. OUTPUTS	MAGNITUDE OF OUTPUTS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
1. a) approximately 10,000 small commercial farm and rural enterprise loans b) the availability of about $2.1 million worth of small-scale commodities and about $1.4 million of tractors and ancillary equipment	a) 8,000 loans b) $3.5 million total worth of commodities procured and distributed through sales	Evaluation, observation and monitoring of ICI, NGO, and distributor records	a) Shillings can be generated for local currency contributions to ICI loan capital b) Successful implementation c commodity procurement

IV. INPUTS	MAGNITUDE OF OUTPUTS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
a) Commodities b) Technical assistance c) Support goods to ICI's d) Local currency as loan capital to ICI's	a) $3.5 million of commodities b) Technical and physical assistance for credit and commodity components c) About $100,000 of office equipment and transportation for ICI's d) At least $2.5 million worth of shillings as loan capital	Evaluation of records for (a), (c) and (d). Monitoring for (b).	Same as above.

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A; Sec. 653(b). Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.	The CN expired without objection on August 21, 1986
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	Only action required is formal establishment of UAFA. The Minister of Finance announced in the Budget Speech that UAFA will be formally established by December 1986.

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)

No such construction is included.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

NA

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

Although the Project is not susceptible to such execution, this assistance will encourage regional development in that it supports the economic recovery of Uganda and thereby promotes stability and the potential for regional development.

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

Project will perform these functions by (a) improving agricultural productivity; (b) using private sector distribution channels and rehabilitating income generating activities; (c) implementation through a cooperative credit institution and (e) provision of inputs to agricultural and commercial trading channels.

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

Many commodities for Project will come from the US, including tractors, ancillary equipment and spare parts.

9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Local currency generated by the sale of Project commodities will be programmed to meet local costs of Project adminis ration.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes. Limited competition justification for award of cooperative agreement was submitted to AA/AFR on 29 August 1986.

12. FY 1986 Contintuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16?.

Yes.

Does the project or program take into consideration the problem of the destruction of tropical forests?

No.

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14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

NA

15. FY 1986 Continuing Resolution. Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

In the RFA's issued prior to the award of the cooperative agreement, it will be stressed that the involvement of such entities in a prospective recipient's application may be a deciding factor for award. The cooperative agreement will contain a requirement for all commodity purchases in excess of $25,000 to be advertised in AID's Office of Small and Disadvantaged Business Publications.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor

The activity will perform these functions by (a) assisting rural residents who have been seriously affected by war activities and who have lost most of their possessions; (b) including a cooperative credit institution in Project implementation; (c) encouraging individual household recovery efforts through their own initiatives; and (d) providing for easier access to credit.

in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes.

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Most of the cmmodities imported for small-scale farmer and businessman use will be of the appropriate-technology type.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes

e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes. It is specifically a project for economic recovery.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

It has been designed, and will be monitored, to ensure that the ultimate beneficiaries are those in low and middle income groups.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development, and supports civil education and training in skills required for effective participation in government processes essential to self-government.

As an economic recovery project, this is specifically designed to cater to the needs, desires and capacities of Ugandans. It is utilizing the country's intellectual resources by including the participation of local professionals and of local intermediary credit institutions.

2. Development Assistance Project Criteria (Loans only)

NA

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

NA

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA?

NA

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

NA

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (th "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

NA

d.	FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	Yes.

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

   The cooperative agreement will contain a requirement for all commodity purchase in excess of $25,000 to be advertized in AID's Office of Small and Disadvantaged Business publications.

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

   Since grantee is a RIDC, procurement will be from the US and other Geographic Code 941 countries and Uganda.

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

   A recent GOU pronouncement indicated that the GOU will stipulate that marine insurance be with a Ugandan firm to be established by the GOU and underwritten by an international insurance company. However, USAID will negotiate an agreement with GOU whereby AID regulations are satisfied.

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

   NA

5.	FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?	NA
6.	FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?	No.
7.	FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	Technical assistance will be furnished under a cooperative agreement with an American NGO.
8.	International Air Transport Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U. S. carriers be used to the extent such service is available?	Yes.

9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, will the contract contain a provision authorizing termination of such contract for the convenience of the United States? — Yes.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? — NA

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — NA

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)? — NA

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? — NA

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? — NA

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the communist-bloc countries?

   Yes, by project design.

4. Will arrangements preclude use of financing:

   a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practive abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

      Yes

   b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

      Yes

   c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

      Yes

   d. FAA Sec. 662. For CIA activities?

      Yes

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e.	FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Yes.
f.	FY 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?	Yes
g.	FY 1985 Continuing Resolution, Sec. 505. To pay U.N. assessments, arrearages for dues?	Yes
h.	FY 1985 Continuing Resolution, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?	Yes
i.	FY 1985 Continuing Resolution, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?	Yes
j.	FY 1985 Contunuing Resolution, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	No.

k. <u>FY 1985 Continuing Resolution, Sec. 516.</u> To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

Yes

TELEGRAMS: "ECSTATIC" KAMPALA.
DIRECT TELEPHONE NOS.: MINISTER 41529.
PERMANENT SECRETARY 32759.
GENERAL 235051/4.
TELEX: 6117 ECONOMY UGA.

THE REPUBLIC OF UGANDA

MINISTRY OF PLANNING AND
ECONOMIC DEVELOPMENT.
P.O. BOX 7086,
KAMPALA, UGANDA.

ANNEX D

IN ANY CORRESPONDENCE ON THIS SUBJECT PLEASE QUOTE NO. ED/C/USA/1/00 Vol.II

6th September 1986

The Director
USAID Mission to Uganda
P.O. Box 7007
KAMPALA

Dear Mr Podol

RURAL ECONOMIC RECOVERY PROJECT

With reference to your letter of August 22nd concerning the proposed Uganda Rural Economic Recovery Project, I am pleased to formally request USAID assistance in financing the project. I take this opportunity to re-emphasise the priority which Government attaches to this project as it will go a long way in rehabilitating productive infrastructure inwar-ravaged areas.

I would also like to take this opportunity to confirm that the Bank of Uganda will be the implementing agency for the project and that UDB, UCB and the Uganda Agricultural Finance Agency will participate in the credit component of the project.

It is my hope that all the remaining procedures will be completed before September 30th so that the funds can be made available during your current financial year. For this purpose, I would advise that you maintain close contact with the Ministry of Finance who will sign the agreement for the grant.

Yours sincerely

E. Tumusiime-Mutebile
PERMANENT SECRETARY

'Economic and Financial Analysis

The purpose of the Rural Economic Recovery project is to support the rehabilitation of rural income generating activities by making available, to residents of war damaged areas, both commodities and credit necessary for reestablishment of those activities. Dollar expenditures under the project will support the importation of commodities considered important to that rehabilitation effort as well as provide the technical and material support necessary to the import and credit components. The credit scheme will be funded through the local currencies generated by the sale of the imported commodities. This section analyses economic and financial aspects of dollar expenditures.

For the last several years, stagnant nominal foreign exchange earnings and rising debt service payments have reduced Uganda's foreign exchange resources. In addition, Uganda spends approximately 40 percent of its remaining foreign exchange on petroleum imports. Therefore, over the last few years there has been a decreasing amount of hard currency available for the import of both consumer and investment goods. At the same time, a growing proportion of available funds has been allocated for consumer goods, thereby reducing that quantity available for the importation of investment goods.

Uganda: Availability of Foreign Exchange (millions US $)

	1984	1985	1986
Debt Service	130.2	181.0	249.0
Debt Service Ratio	32%	48%	58%
Export Earnings	407.9	379.0	429.0
Earnings less Debt Services	277.7	198.0	180.0
Estimated Petrol Imports	111.0	79.2	72.0
Remaining Foreign Exchange	166.7	118.8	108.0

Source: Based on GOU estimates of debt service and average petroleum import levels.

Demand for the importation of productive goods in Uganda remains high. During the 1970s, investment in Ugandan productive capacity was not maintained. This situation deteriorated as repeated wars and civil disturbance either destroyed directly investment goods or destroyed an environment conducive to individual investment. Foreign exchange made available during Obote's second regime has been criticized

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because it was used principally to import consumer items and provided little encouragement for the importation of productive materials. Records from the mid 1980s show that the situation has not changed and that over half of the foreign exchange allocations made by the Bank of Uganda finance the import of consumer items. (One striking omission from these statistics is the allocation for military equipment and supplies. Thus, it is difficult to determine the proportion of foreign exchange utilized for the use and rehabilitation of activities which enhance Uganda's productive capacity.)

While the availability of these items provide a strong incentive for surplus production, especially for agricultural produce, it does little to restore the productive capacity of either agriculture or industry. Thus, the importation of production goods is important both in light of Uganda's severe and increasing shortage of foreign exchange earnings of the country. (Tables in the statistical annex show annual and monthly estimates of the productive capacity of various manufacturing firms.)

It is important to note that the Rural Economic Recovery project is an activity which will assist in the rehabilitation of what were once productive enterprises. There is no assumption that new technologies need to be introduced to generate a financially viable return to the use of the imported commodities. Rather, it is recognized that the project will assist in the rehabilitation of formerly successful commercial activities which have suffered directly as a result of the recent disturbances.

Therefore, the items which have been identified for import on the illustrative commodities list are those with which Ugandan farmers are familiar and those for which Uganda has expressed demand. This demand has been expressed by the GOU in its assessment of rehabilitation requirements, by farmers in interviews, and by importers whose livelihood depends on their ability to sell imported items. As a further assurance that necessary commodities will be imported under this project, the NGO will undertake a needs assessment survey to verify demands before commodities are imported. A benefit-cost analysis of the returns to use of certain illustrative items indicates that for such items the benefits to use outweigh the costs in the short to medium term. The importation of these items can be seen, therefore, as contributing to the rehabilitation of rural income producing activities.

One concern regarding the importation of these commodities results from the Government of Uganda's recent decision to unify the exchange rate at 1400 Ugandan shillings to one U.S.

dollar. The unofficial exchange rate provides a strong financial incentive to resell commodities imported at the official exchange rate.

However, the discounted present value of short to medium term financial returns expected to accrue to the use of the imported equipment is expected to exceed even those benefits from resale. These windfall gains result from such factors as the high rental rate for tractor hire services, the increase in yield resulting from better cultivation methods, and higher prices paid for semi-processed produce. The view also corresponds to observations made by government officials, importers, and farmers that resale will not occur in most cases since returns to use would be higher than returns to resale. All caution, however, that care should be taken to ensure that the commodity is sold to a legitimate user. This is of particular concern with respect to the tractor component. Discussions with the relevant tractor importer have resulted in a procedure whereby USAID would be assured of the residence and occupation of the purchaser, and registration of the tractor to determine its geographical area of use. Concerns regarding the program, therefore, have been reduced, though not eliminated.

A remaining concern rests with the magnitude and distribution of benefits accruing to project beneficiaries, particularly from the windfall gains associated with purchasing commodities imported at the overvalued exchange rate. The tractor component is more problematic than the small-commodity component because: first, the number of tractor beneficiaries is much smaller than the small-commodity program beneficiaries; second, USAID has less control over the selection of these beneficiaries; and third, the windfall gains are much higher per beneficiary than with the small commodity component.

For the many small-commodities, import, sales and distribution will be controlled to varying degrees by USAID and the selected NGO. This will enable some control to be exercised over the types of commodities to be imported as well as their target sales areas. Thus, by commodity and area selection, the project will be able to target beneficiaries. A typical beneficiary will be the small commercial coffee producer of Luwero District or an oilseed producer in Gulu: the project expects to include at least 5000 such beneficiaries. As a result of this project, the producer will be able to purchase a pruning knife, a wheelbarrow, or perhaps a bicycle. Since these are relatively low value items, the benefits from resale or use will also, in the short to medium run, be relatively small. Thus, while the purchaser of such an item at the official rate will still receive windfall gains through the transaction, the gains themselves will be relatively small and

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USAID will have expressed its opinion as to the eligible beneficiary.

The tractor imports are different. While USAID may try to ensure that the purchasers of the tractors meet certain criteria, it is the tractor dealer, not USAID, who determines eligibility. Since this will be determined on an ability to pay basis, it is likely that those few with substantial financial resources will receive not only the tractors but also the windfall gains from their use. Finally, there will be fewer than 80 beneficiaries of the tractor import component. Thus, it is possible that a small number of relatively wealthy individuals will benefit substantially from this component.

This aspect is not unique to the Rural Economic Recovery project: it characterizes many private sector commodity import programs. There are, however, several factors which mitigate these drawbacks and argue for undertaking such an import program in Uganda at the present time. First, having suffered years of devastation and abandonement, Uganda's rich agricultural resources are being left underexploited. In order to bring the land back into productive use, much labor is required for land clearing. However, the required labor has been severely reduced by the years of warfare and disturbances. The National Resistance Army itself must rely on adolescents as soldiers. Thus non-human interventions must be utilized to return the land to productive use. Given Uganda's soil structures, topography, and previous use of tractors and tractor hire services, a mechanical intervention seems appropriate. Finally, Uganda's commercial sector, its importers, distributors, and retailers, have all suffered from the years of disturbances. The importation of tractors is seen, therefore, as a means to help increase Ugandan agricultural production as well as support private sector commercial activity.

The remaining dollar expenditure will procure a limited number of commodities and services deemed vital to either the importation of the above mentioned commodities or to the implementation of the credit scheme. The project paper proposes the use of an NGO to procure commodities and provide credit expertise.

While the argument may be made that an NGO is an expensive procurement agent, the situation in Ugandan warrants the services which the NGO, rather than a procurement agent, can provide. The NGO will undertake a needs assessment in order to assure USAID that the imported commodities will meet the rehabilitation requirements of Uganda's rural sector. Secondly, the NGO will work to re stablish distribution linkages where they have been damaged through the disturbances. Thirdly, USAID foresees that relatively small lots of a variety items will be purchased from neighboring countries: this is the type of procurement which an NGO does well. Finally, if it becomes apparent that a large order of one or a small number of items will be placed with non-African supplier (e.g. in the US or India), USAID, through the Cooperative Agreement mechanism, can express its desire to utilize the services of a procurement agent for that well specified order. It appears, therefore, that the use of the NGO is appropriate for these services.

When compared to alternatives, use of the NGO to provide the services of a credit specialist is without competition. IF USAID were to contract directly for the required services, the estimated contract costs would be higher than the illustrative costs of NGOs providing such services in east and central Africa. In addition, a number of NGOs have experience working with rural credit schemes, some with such schemes in war damaged areas. An NGO is expected to be available which has directly relevant experience. Thus on both a cost and expected performance basis, the NGO is preferred to direct contracting procedures. Finally, since USAID wants to maintain significant involvement with the implementation of the project, the choice was made to undertake a Cooperative Agreement with an NGO.

Although neither an economic nor a financial analysis were conducted for the planned local currency expenditures for the project, the issue of interest rates should be discussed briefly. Due to the high level of inflation which Uganda has been experiencing in the recent past and which is expected to continue into the foreseeable future, current commercial rates of interest are strongly negative in real terms. Thus, funds provided to a credit scheme charging commercial rates of interest can expect to be effectively decapitalized within a relatively short period of time. At the same time, interest rates for this credit scheme cannot realistically be set above commercial rates. Interest rate reform in the short run is not expected. Therefore, decapitalization of the credit scheme has been accepted by USAID in light of the relatively short term recovery nature of the project.

Pruning Knife

Ush

Cost: purchase cost = 8400(1) = 8400
depreciation = 10% per year
marginal time preference rate is 10%

Co = 8400 + (.1)8400 = 9240
C1 = (.1)8400/(1.1) = 763
C2 = (.1)8400/(1.1)e2 = 694
C3 = (.1)8400/(1.1)e3 = 631
C4 = (.1)8400/(1.1)e4 = 573

Total Cost = 11,901

Benefits: Benefit to pruning each year is estimated to be a 10% increase in yield resulting from both keeping the branches in reach and stimulating the growth of heavier bearing branches.

For Luwero, an average coffee plot is expected to be .2 hectares which yields 160 kgs of raw coffee, robusta

Following the price performance of the 1980s, real coffee prices are expected to rise by 10% per year, or faster than the general price level which is expected to rise by 100% per year.
Current prices are robusta 850, arabica 1550

The marginal time preference rate is estimated to be 10%

Benefit to sale = 30,000/

Benefits to use = Bn = (Po(1+f')/(1+f)enQn)/(1+r)en

where n = year n
f'= real price increase
f = increase in general prices
r = marginal time preference rate
e = exponent
Po= nominal price at year zero
Qn= increased yield attributable to pruning

Bo	=	850 * 16	= 13,600
B1	=	(850(2.2/2)16)/(1.1)	= 13,600
B2	=	(850(2.2/2)e2 * 16)/(1.1)e2	= 13,600
B3	=	(850(2.2/2)e3 * 16)/(1.1)e3	= 13,600
B4	=	(850(2.2/2)e4 * 16)/(1.1)e4	= 13,600
		Total Benefits to use	= 68,000

Benefits to cost ratio for sale = 2.5

Benefits to cost ratio for use = 5.7

Note on benefits to use : under these assumptions, the real producer price increases exceed the general price level by 10% per year. This is also the estimated marginal time preference rate. Thus, the effect of the rate of increase in real prices is expected to be negated by the preference to have money now relative to the future. As a result, the net present value of the benefit stream is constant.

Bicycle

		Ush	
Cost:	purchase cost	140,000/	
	depreciation over 20 years	5% per year	
	marginal time preference	10%	
	1/2 day labor per week at	3,000/ per day	

Co	=	140,000 + 7,000 + 75,000	=	222,000
C1	=	(7000 + 75000)/1.1	=	74,546
C2	=	(7000 + 75000)/(1.1)e2	=	67,768
C3	=	(7000 + 75000)/(1.1)e3	=	61,608
C4	=	(7000 + 75000)/(1.1)e4	=	56,007
Total Costs			=	481,929

Benefits:of resale = 500,000

Benefits:of use

Assumptions: these are returns to transportation of 6 bunches of matoke, from farm gate to the local market, per week for 50 weeks in the year. It assumes no increase in production. It further assumes that local market prices are 40% higher than farm gate prices and that each bunch of matoke weighs 30 kgs. Thus, the on farm price of 180/ per kg becomes 250/ at the local market. Bunch prices, therefore, are 5400 vs 7500, or have a differential of 2100/ per bunch. Food price increases are expected to exceed that of the general price level by 10%. General price increases are expected to be 100% per year.

Bo	=	2100 * 6bunches * 50weeks	=	630,000
B1	=	(630,000(2.2/2))/(1.1)	=	630,000
B2	=	(630,000(2.2/2)e2)/(1.1)e2	=	630,000
B3	=	(630,000(2.2/2)e3)/(1.1)e3	=	630,000
B4	=	(630,000(2.2/2)e4)/(1.1)e4	=	630,000
Total Benefits to use			=	3,150,000

Benefit cost ratio to resale = 3.6

Benefit cost ratio to use = 6.5

Note: actual benefits are expected to be much higher since this is the added value of transporting only 6 bunches of bananas per week for 50 weeks to a local market. The bicycle will also be used to transport other goods and people.

Tractors

			Ush
General	Purchase cost		28,000,000
	Depreciation over 10 years		2,800,000/yr
	Operating costs	4 ltr diesel per acre ploughing	
		2 ltr diesel per acre weeding	
		2 ltr diesel per hr transportation	
		price diesel 750/ per litre	
		labor at 3,000/ per day	
	Tractor use	70 days per year ploughing	
		80 days per year weeding	
		100 dayr per year transportation	
		7 acres ploughing/weeding per day	
		6 hours transportation per day	
	Tractor fees	60,000 per acre ploughing/weeding	
		50,000 per hour transportation	

- Marginal time preference is 10%

Costs:

Cn = purchase + depreciation + ploughing + weeding + transportation + labor

Co = 28,000,000 + 2,800,000 + 1,470,000 + 840,000 + 900,000 + 750,000
= 33,155,000

C1 = (6,760,000)/(1.1)
= 6,145,455

C2 = (6,760,000)/(1.1)e2
= 5,586,777

C3 = (6,760,000)/(1.1)e3
= 5,978,888

C4 = (6,760,000)/(1.1)e4
= 4,617,171

Total Costs = 55.483.291

Benefits to resale = 100,000,000

Benefits to use

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Bo	=	ploughing + weeding + transportation
Bo	=	29,400,000 + 33,600,000 + 30,000,000
		93,000,000
B1	=	(93,000,000)/(1.1)
	=	84,545,455
B2	=	(93,000,000)/(1.1)e2
	=	76,859,504
B3	=	(93,000,000)/(1.1)e3
	=	69,872,276
B4	=	(93,000,000)/(1.1)e4
	=	63,520,251

Total benefits to use	=	387,797,000
Benefit to cost ratio of resale	=	1.8
Benefit to cost ratio of use	=	7.0

Note: unlike the other two analyses, this example assumes that the general price level and the price level for tractor services will move at the same rate. Therefore, the relative price change variable is omitted. This analysis also assumes that the tractor is utilized as a service vehicle: the value of increased production is not separately valued.

Tractors

			Ush
General	Purchase cost	=	28,000,000
	Depreciation over 10 years	=	2,800,000/yr
	Operating costs	8 ltr diesel per acre ploughing 4 ltr diesel per acre weeding 4 ltr diesel per hr transportation price diesel 750/ per litre labor at 3,000/ per day	
	Tractor use	70 days per year ploughing 80 days per year weeding 100 dayr per year transportation 7 acres ploughing/weeding per day 6 hours transportation per day	
	Tractor fees	60,000 per acre ploughing/weeding 50,000 per hour transportation	

Marginal time preference is 10%

Costs:

Cn = purchase + depreciation + ploughing + weeding + transportation + labor

Co = 28,000,000 + 2,800,000 + 2,940,000 + 1,680,000 + 1,800,000 + 750,000
= 37,970,000

C1 = (9,970,000)/(1.1)
= 9,063,636

C2 = (9,970,000)/(1.1)e2
= 8,239,669

C3 = (9,970,000)/(1.1)e3
= 7,490,609

C4 = (9,970,000)/(1.1)e4
= 6,809,644

Total Costs = 69,573,558

Benefits to resale = 100,000,000

Benefits to use

Bo	=	ploughing + weeding + transportation
Bo	=	29,400,000 + 33,600,000 + 30,000,000
		93,000,000
B1	=	(93,000,000)/(1.1)
	=	84,545,455
B2	=	(93,000,000)/(1.1)e2
	=	76,859,504
B3	=	(93,000,000)/(1.1)e3
	=	69,872,276
B4	=	(93,000,000)/(1.1)e4
	=	63,520,251

Total benefits to use = 387,797,000

Benefit to cost ratio of resale = 1.4

Benefit to cost ratio of use = 5.6

Note: unlike the other two analyses, this example assumes that the general price level and the price level for tractor services will move at the same rate. Therefore, the relative price change variable is omitted. This analysis also assumes that the tractor is utilized as a service vehicle: the value of increased production is not separately valued.

SOCIAL SOUNDNESS ANALYSIS

Sociocultural Context:

In the 1960's and early 1970's, the average Ugandan was relatively prosperous and had relatively good access to quality educational and health facilities and to a wide variety of personal and commercial commodities in the marketplace. Throughout Uganda, education has long been a high priority for families, as a result, many Ugandans were, and still are, well read, multilingual and progressive in their ideas and their willingness to try new concepts and techniques. this openmindedness, coupled with the natural wealth and economic potential of the country and the work ethnic that exists throughout the population, have meant a higher standard of living -- and higher expectations for economic growth and development -- than one would typically expect in a developing country. With the disruptions of the 1970's and early 1980's, most of the quality social and business systems that had been developed in the preceeding decades were destroyed, today leaving Uganda one of the poorest countries in the world. Uganda's health and educational systems, once the envy of other African nations, are now practically non-existent. Industries based on uganda's agricultural wealth, such as coffee, tea, cotton and tobacco are now faced with the enormous costs of rebuilding the necessary processing facilities, warehouses and transportation networks that have been lost.

In the face of this massive destruction, however, Ugandans have not lost their ability to work hard, to expect their situation to improve and to plan for their involvement in their personal and community rehabilitation. Expectations remain high; people remember what it is they have lost and remember how they achieved their high standard of living in the first place. Therefore, there remains hope, determination, initiative and a strong will to overcome the difficulties of the past 15 years. These positive features of the Ugandan population should not entirely overshadow the remaining problems in the society today. There continue to be a deep tribal, religious and regional animosities that divide the country along a number of lines. In addition, security has still not been completely restored in parts of the country, in spite of the efforts of the NRM, therefore there remains a hesitancy on the part of many to invest too heavily in the future of Uganda just yet. After the violence and destruction that have plagued Uganda for so many years, these divisions and concerns should not be surprising. The wounds that have been suffered will take some time to heal. However, with the NRM takeover of the government in January 1986, healing has begun. There is more optimism and energy in Uganda now than has existed for many years. The economy is beginning to be rebuilt, as people begin to venture out again and to take risks anew.

Beneficiaries

The beneficiaries of this project are those people who have been most disadvantaged by the last several years of physical destruction and personal violence. The project areas selected have been characterized by widespread displacement of the local populations who have lost most if not all of their homes, personal possessions and resources for income generation. While almost everyone in Uganda has suffered losses under the years of economic decline and political mismanagement, the people of these particularly severely war-damaged areas have undergone the most traumatic and violent lossess.

The objective of this project is to assist displaced people who are now returning to war-damaged areas to rebuild economically productive lives and, in so doing, to assist in the rebuilding of the wider community infrastructures (e.g. public, business and social services). As a result, the target population of this project are the medium to lower income families with the potential and the initiative to help themselves.

As noted in the preceeding section, Ugandans have known prosperity before and are aware of the level of effort and the resources required to attain relative prosperity again. In the six or seven months since the displaced persons of the "Luwero Triangle" began to return home after years of living on the run and in fear, there is enormous and very visible progress in rehabilitation already. The first harvest is almost ready: new lands are being reclaimed for a larger planting in the next season; homes are gradually being repaired; essential commodities are slowly beginning to appear in makeshift trading centers; and perhaps most telling of all, literally thousands of children are pouring into understaffed and ill-equipped schools for what education they can get. The intent of this project is to capitalize on the energy and initiative that already exists in abundance in the selected project areas and to encourage the sense of self-sufficiency and self-determination that once brought this country to prosperity several decades ago.

In the preparation of this project, a number of trips into war-damaged areas have been made and a wide variety of returning families have been drawn into discussions regarding their needs and capabilities. The theme that emerged over and over again in these discussions was that the lack of physical resources -- for agricultural production and for home repairs in particular -- has been the major constraint to rapid recovery and resumption of a productive lifestyle. Based on these direct inputs from returnees and on observations of the level of effort being applied by these people without significant outside assistance (except for the emergency distributions of "self-sufficiency" kits), the concept of a project that supported local determination of solutions to local problems began to emerge. Rather than determine their needs for them, this project will allow them the opportunity to identify many of the commodity and other cash (e.g. labor, tractor hire) needs they may have.

Sociocultural Feasibility:

One of the most serious potential losses that may have resulted from the years of insecurity and destruction in many parts of Uganda is the loss of trust in one's neighbors, the loss of the traditional cooperative system of mutual help and support. With the fear and the deprivations brought on my the political and economic disintegration, a sense of personal and family survival -- and a concomitant sense of suspicion of others -- has tended to grow. It can only be hoped -- although by no means expected -- that, as peace and economic stability and growth begin to reappear, trust and cooperation will begin to reassert themselves more forcefully. This project relies on individual and family initiative end effort, rather than on community activity, in recognition of the fact that Ugandans have traditionally followed a relatively capitalistic and individualistic pattern and that, given current realities in Uganda, cooperative efforts may experience some problems for the time being. As noted above, however, the level of individual and family activity at present is very high, which provides support to the basic sociocultural premises of the project. Personal motivation is high, the natural resources of Uganda remain excellent, and returnees to war-damaged areas know that, with continued stability and peace, they will be able to improve their own lives. Outside assistance will enable them to accelerate the pace of their own efforts.

Impact:

Since the project is designed to address a unique, short to medium term need not typically existing in many developing countries, the question of replicability for other countries may not be appropriate. That is, this project is designed to meet the problems created by years of war, violence and displacement and capitalizes on unique local characteristics such as previous wealth and achievement, high educational attainment levels, and abundant natural and human resources. On the other hand, this project only addressess a very limited number of war damaged areas, therefore replication in other parts of Uganda, where similar circumstances do exist, may be appropriate over time. In fact, this project itself will begin in one war damaged area, the "Luwero Triangle", and then expand to a different area, the north-central districts of Gulu, Lira and Apac, as experience in the initial project area is gained and as lessons are learned. It is very conceivable that, over time, as the Intermediate Credit Institutions and commodity suppliers regain their footing in the Ugandan economy, project concepts such as supply of small farmer and small entrepreneurial credit and supply of small farmer and entrepreneurial commodity needs will spread naturally to other parts of the country not specifically assisted by this project.

In the more immediate time frame, it is expected that this project will have significant spread effects within the project areas themselves. Only a small proportion of the actual returning population in each project area will have direct access to project credit and commodities. However, with the stimulation of the local economy anticipated by this project, returnees who do not directly participate in project activities are still expected to benefit. As local supply lines are re-established, all area residents will benefit by the resumption of trading centers. As credit recipients recover their income generating capabilities, they will be able to pay their non-recipient neighbors for their services (e.g., farm labor, brickmaking, tailoring, carpentry, teaching, health care).

Prior to the decline of Uganda, while almost all Ugandans enjoyed a relatively high standard of living, there were significant disparities in the distribution of wealth in the country. For this reason, this project targets only those residents who had relatively less prior to the disturbances, on the assumption that those who had relatively more will still be in a better position to help themselves without outside assistance. Since this project relies on the individual efforts of returnee families, those who exercise the most initiative and energy stand to benefit the most. The project, then, will be equitable in its distribution of project benefits among those who are relatively most in need, but the end result of the project cannot -- and should not -- ensure a complete equality of circumstances.

Issues:

Because the needs are so great and so widespread in Uganda, and even within the selected project areas, not all of those who are deserving of project assistance will be able to receive it, at least not initially. One project issue, then, is the selection of the first round recipients, particularly of credit. This will be a decision left to the ICIs, based on credit criteria. It is the expectation that those who are deserving and eligible who cannot receive project funds in the initial stages will be able to receive funds within a year or two in subsequent rounds.

Not all of Uganda's war damaged areas are included in this project. The two primary regions, the "Luwero Triangle" and the north-central area, have been selected based on need and on relative lack of recovery assistance forthcoming from other sources. Nonetheless, there is a good argument to be made that nearly all of Uganda requires assistance. It must be acknowledged that one project, and one donor, cannot singlehandedly meet the needs of Uganda in any effective way.

This project focuses on the recovery of selected institutional structures, namely the commodity distribution networks and the credit networks. While necessary interventions, this focus will naturally be longer term in nature than other interventions would be. Given the dearth of resources in the project areas, this means residents of project areas will necessarily have to wait some months for project activities to actually reach them. The longer term benefits of this approach justify this delay. However, some recipients may wish for more immediate impact.

ANNEX E/3

TECHNCIAL ANALYSIS

In this analysis, first an overview of the Project working environment is presented, and second the technical feasibility of each component is discussed.

The design and implementation of this Project in Uganda at the present time is complicated by a number of factors. First and foremost is the devestating effect of the past five to seven years of social and political turmoil, and the past 15 years of economic problems. This has resulted in the deterioration both of physical and social infrastructure as well as of commercial and financial institutions, and in the departure from the country of many highly qualified professionals. Second, although the National Resistance Movement appears to be consolidating its political and military control over the country, there continue to be pockets of dissent or of banditry which disrupt commercial activities in some areas. Third, there is a serious shortage of imported and locally manufactured goods in the country, and, related to this, a shortage of foreign exchange with which to purchase the necessary goods and inputs.

To counter these complications, there are a number of factors which support the introduction of a project like the one discussed in this paper, which has as its primary purpose the economic recovery of rural areas. Most important is the resilience of the Ugandan people. Already, after a six-year absence in some areas, residents have returned to their home areas and have begun the long process of economic rehabilitation by clearing land, planting new crops, tending existing crops, and rebuilding commercial enterprises. This indicates that when opportunities for recovery are provided, they will be exploited to their utmost.

In addition, Uganda is rich in natural resources. Good rainfall and fertile soils are important bases for the future development of the agricultural sector. Finally, although much of the physical, social and economic infrastructure has deterioriated, the foundation remains. The extensive road network, for example, is still there, but is often badly in disrepair. Highly qualified professionals are available to undertake the more technical tasks of recovery. Trading centers, and the skilled craftsmen who operated in those centers, remain, but the physical structures and goods often have been lost.

This, then, is the general environment in which the Project is set, and the conditions in consideration of which it has been designed. The technical feasibility of each component is discussed separately below.

Commodity imports and distribution through a Cooperative Agreement. To assure the import of necessary commodities a needs assessment survey will be conducted prior to each major procurement. Actual procurement will be handled by a commodity specialist (under the Cooperative Agreement) specifically for this Project who will be in-country for at least two years. This specialist will also organize and oversee the distribution of commodities through commercial and non-commercial (e.g. cooperative) channels. There has been increasing disuse of these channels over the past seven years, but contacts have been made during Project design with both goods' distributors and transporters who have expressed an interest and the ability to participate in this Project component. Retail outlets continue to operate in major trading centers, and over time it is expected that they will re-open in smaller centers. Under the Project's credit scheme, loans will be available to shopkeepers for restocking and rehabilitating their shops as well.

Private Sector CIP. The Ford distributorship in Uganda appears to be well prepared and capable to handle the procurement and sales of the tractors, ancillary equipment, and spare parts. Since the early 1970's it has sold over 2,500 tractors in Uganda. The company also manufactures ancillary equipment for tractors. To overcome the problem of availability of credit for tractor purchase, the distributor has established a separate, company operated hire/purchase scheme through which credit can be extended to tractor customers. The managing director has agreed to target tractor sales to Project areas. Although only 60 - 80 tractors will be imported under the Project, and thus there will be few direct beneficiaries, the availability of tractor hire will benefit many more. It is highly likely that tractor owners will keep their tractors (rather than sell them to make immediate windfall gains), and hire out their services given the relatively high rates which they can charge for these services. The economic analysis shows that, greatly due to potential imcome from hires, the discounted present value of short to mdeium term financial returns expected to accrue to the use of tractors is expected to exceed the benefits of resale.

Credit Component. The provision of credit is necessary to achieve the Project goal because farmers and rural entrepreneurs are unlikely currently to have the financial resources required for the purchase of inputs which are essential to the resumption of their income earning activities. In recognition of this, the President of Uganda has announced upon numerous occasions that the government will actively encourage the extension of credit to rural areas, and various credit institutions have already begun to design and implement their own rural credit schemes. This Project will provide design support and implementation assistance to three intermediate credit institutions which are appropriate to the achievement of the Project purpose. These ICI's are in varying states of preparedness, with two ready to begin operations and one well developed but not operational yet. The third should be oerational within nine months. Together they provide good coverage of the Project area, although implementation will be in stages so that some areas will be covered earlier than others. Support available to the ICI's will be in two forms, a rural credit specialist included as part of the NGO's Cooperative Agreement, and certain commodities such as motorcycles, computers, other office equipment, and promotional material. This support is necessary to Project implementation, and will assist greatly in the achievement of Project goal and purpose.

The Project Design Team's credit specialist presented preliminary findings that the proposed participating ICI's are sound and appropriate for this Project, and that each offers a different and unique approach to providing credit to the target population. However, insufficient time prior to Project obligation existed to complete the institutional analysis, and thus such an analysis of each participating ICI is required prior to the use of local currency as loan capital and to the disbursement of foreign exchange in support of Project implementation. Only local currency generations from the Special Account will be used as loan capital. In general, all three institutions will follow the same guidelines for the purposes of Project implementation regarding interest rate charged, period of repayment, no collateral required, and other major loan terms.

Discussions have been held with the Bank of Uganda about including this Project under the Bank's loan guarantee scheme. However, the terms of loans envisaged under the Project differ from standard terms of loans ordinarily covered under the guarantee scheme, e.g the lack of requirement for collateral. Thus, USAID and the NGO credit specialist, in conjunction with the participating ICI's, will have to negotiate with the Bank on this matter.

<u>Cooperative Agreement</u>. A Cooperative Agreement will be awarded to an NGO to assist in Project implementation. This mode has been chosen primarily to remove the burden of day-to-day Project management from the Mission, but at the same time allow significant Mission input during the life of the Project. Such input is likely to be necessary given the unstable environment in Uganda, and the resulting need for

Project design and implementation adaptability. Under this Agreement, the NGO will establish an office which will include technical assistance for both the commodity and credit Project components. In addition, the NGO will distribute, as a grant, certain commodities (identified in the above section) which the participating ICI's will need in the implementation process. The Cooperative Agreement has been found to be the most effective way to provide the kind of assistance necessary, particularly in consideration of the desire to remove as much of the management burden from the Mission as possible.

Two major issues should be raised. One is that perhaps the whole of Uganda can be said to be war-damaged and worthy of support. However, such an effort is not possible within one project and by one donor. Already, a number of donors are assisting Uganda in its recovery effort. USAID has chosen to assist in a manner which covers a longer term than immediate emergency relief, and this choice is appropriate given the time frame USAID is working within, and given the nature and variety of the needs evident in the country. A number of geographic areas have been selected as Project areas, and included in this number are those areas which have been most affected by the recent disturbances. In this way, the Project addresses in an effective and rational manner the recovery needs which have been identified by both the GOU and USAID.

The other issue is that since the achievement of Project objectives will require a longer term time frame than what the target population may prefer, it may take some months before Project activities reach some people. While this may be regrettable, it is justified by the longer term benefits possible through such an approach and by the nature of the needs in Project areas. Immediate emergency needs have been largely met. It is now important to provide opportunities for income generation which is essential for the future development of the country. This effort requires activities the implementation of which will take time. By the end of the life of Project, however, a firm foundation will have been built on which continued growth can rest.

In sum, both Project Design and the method of implementation are believed to be the most suitable and cost effective. The need for overall supervision and for assistance in commodity procurement and distribution justifies the expenditure required for the Cooperative Agreement. The need for basic commodities as inputs into income-generating activities justifies the expenditure on their importation. Including distribution through commercial channels as a Project element, and the provision of credit as a local currency activity through ICI's, both supports the achievement of Project objectives and assists in the overall rehabilitation of commercial and institutional infrastructure. In general, however, that the environment in Uganda remains unstable requires that the Mission and Project Office monitor Project implementation carefully so as to be cognizant of the need for design revision when necessary.

UGANDA:

GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY 1978 - 1985
(at 1966 prices)

(U.Shs million)

INDUSTRY	PEAK BETWEEN 1966-1985 Year	Value	1978	1979	1980	1981	1982	1983	1984	1985	%Change 1984/83	%change 1985/84
MONETARY ECONOMY												
Agriculture	1973	1795	1462	1318	1234	1221	1401	1416	1308	1250	-7.6	-4.4
Cotton Ginning, Coffee curing and sugar manufacture	1970	114	39	43	43	31	43	41	41	41	0.0	0.0
Forestry, Fishing and Hunting	1984	129	126	104	100	101	104	106	128	101	+20.8	-21.1
Mining and Qaurrying	1970	119	15	8	6	6	7	7	7	5	0.0	-28.6
Manufacture of food products	1972	63	29	10	9	10	16	17	18	20	+5.9	+11.1
Miscellaneous Manufacturing	1971	482	304	193	209	206	223	232	241	206	+3.9	-14.5
Electricity	1970	100	92	65	78	96	90	81	93	89	+14.8	- 4.3
Construction	1969	109	39	30	25	25	28	32	34	31	+ 6.3	- 8.8
Commerce	1971	940	646	580	508	491	543	575	533	456	-7.3	-14.4
Transport and Communication	1974	346	167	134	168	182	200	211	212	201	+0.5	-5.2
Government	1985	932	800	840	882	890	900	909	923	932	+1.5	+1.0
Miscellaneous services	1972	502	262	270	278	280	319	343	370	396	+7.9	+7.0
Rents	1978	352	352	282	282	283	295	308	321	335	+4.2	+4.4
TOTAL MONETARY ECONOMY	1971	5252	4333	3877	3822	3822	4169	4278	4229	4063	-1.1	-3.9
NON-MONETARY ECONOMY												
Agriculture	1983	2309	2291	1872	1734	1962	2133	2309	1957	1738	-15.2	-11.2
Forestry, Fishing and Hunting	1985	230	198	203	209	216	216	219	226	230	+ 3.2	+ 1.8
Construction	1979	42	40	42	12	13	15	15	16	16	+ 6.7	0.0
Owner Occupied dwelling	1985	369	319	336	338	338	340	350	359	369	+ 2.6	+ 2.8
TOTAL NON-MONETARY ECONOMY	1983	2893	2848	2453	2293	2529	2704	2893	2558	2353	- 11.6	- 8.0
GROSS DOMESTIC PROUDCT	1972	7542	7181	6330	6115	6351	6873	7171	6787	6416	-5.4	- 5.5
GROSS DOMESTIC PER CAPITA (Shs)	1971	775	588	509	478	483	509	516	475	437	-7.9	- 8.0

SOURCE: Statistics Department, Ministry of Planning and Economic Development, August, 1986.

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Uganda: GROWTH OF GDP AND COMPONENTS
(% per annum)

	1981	1982	1983	1984 Estimated	1985 Estimated
Monetary economy	0.0	9.1	2.6	-1.1	-3.9
Agriculture	-1.1	14.7	1.1	-7.6	-4.4
Forestry Fishing & hunting	1.0	3.0	1.9	20.8	-21.1
Industry a/	-0.1	-5.8	4.2	4.0	-12.7
Cotton, Coffee Tea, Tobacco	-27.9	38.7	-4.7	0.0	0.0
Electricity	23.1	-6.3	-10.0	14.8	-4.3
Construction	0.0	12.0	14.3	6.3	-8.8
Commerce	-3.3	10.6	5.9	-7.3	-14.4
Transport & Communication	8.3	9.7	5.5	0.5	-5.2
Non-monetary economy	10.3	6.9	7.0	-11.6	-8.0
Agriculture	13.1	8.7	8.3	-15.2	-11.2
Total GDP	3.9	8.2	4.3	-5.4	-5.5
Population growth	3.2	3.2	3.2	3.2	3.2
GDP/capita growth	0.7	4.9	1.1	-8.6	-8.7
GDP as a percentage of previous peak value (1972)	84.2	91.1	95.1	90.0	85.1

a/ Agro-processing and manufacturing; August, 1986.

Source: Statistics Dept, Ministry of Planning & Economic Development

EXCHANGE RATE DEVELOPMENTS, 1975-1986
(USh per US$)

	Official Rate/ Window I Rate Priority Rate	Window II Auction Rate Market Rate	Unofficial "Kibanda" Rate a/
1979	7.48	-	-
1980	17.42	-	80
1981	50.05	-	200
1982 b/	94.52	270.8	300
1983	156.90	277.0	350
1984 c/	271.32	362.5	650
1985	1,400.00	-	6,000
1986 April	1,400.00	5,000.0	7-8,000
1986 August	1,400.00	-	7-8,000

a/ The "Kibanda" rates refer to June 1980, June 1981, June 1982, June 1983, September 1984 and July/August 1986.

b/ August-December 1982 for the auction rate.

c/ January-November for auction rate and January-May for official rate

Source: IMF. Government of Uganda; August, 1986.

Uganda: Central Government Budgetary and Financial Operations in Millions of Uganda Shillings

	1980/1	1981/2	1982/3	1983/4	1984/5p	1985/6e	1986/7e
Recurrent Budget							
Revenue	2,730	24,390	52,239	75,355	115,800	283,925	504,103
Expenditure	11,194	28,006	43,869	77,000	129,600	343,734	643,639
Deficit/Surplus-	-8,464	-3,616	-8,371	-1,645	-13,800	-59,809	-139,536
Development Budget							
Revenue	575	3,488	583	9,284	7,200	125,864	273,685
Expenditure	3,008	8,991	8,817	36,353	21,600	159,961	483,843
Deficit	-2,433	-5,503	-8,234	-27,069	-14,400	-34,097	-209,158
Other Expenditure Items	-1,130	6,300	16,675	-	24,200	-	-
Total Deficit	-9,766	-15,419	-16,538	-28,714	-52,400	-93,906	-349,694
Financing:							
External (net)	766	1,000	3,634	24,714	na	na	na
Domestic	9,000	14,419	12,904	4,000	na	na	na
- Bank	8,800	13,319	11,365	2,500	na	na	na
- Non Bank	200	1,100	1,539	1,500	na	na	na
Total	9,766	15,419	16,538	28,714	52,400	93,906	349,694

Sources: 1980/1 - 1984/5 - Ministry of Planning & Economic Development
1984/5 - 1985/6 - Government estimate
1986/7 - Government estimate in Budget Speech August, 1986.

Note: e denotes estimate
p denotes provisional

UGANDA:

BUDGETARY OPERATIONS, 1982/83 - 1985/86 (Shs. Billion)

	Fiscal Year 1982/83	Fiscal Year 1983/84	Fiscal Year 1984/85	Fiscal Year 1985/86 (April)
	ACTUAL	ACTUAL	ACTUAL	REVISED BUDGET
Revenue and Grants	53.2	97.4	169.9	281.8
Revenue	52.6	92.9	162.1	258.0
Tax	(50.3)	(86.9)	(159.4)	(254.4)
Non-Tax	(2.3)	(6.0)	(2.7)	(3.8)
Grants	0.6	4.5	7.8	23.8
Expenditure 1/	73.0	114.9	229.2	502.8
Recurrent 2/	51.2	95.6	199.1	346.1
Salaries and Wages	(7.0)	(12.6)	(44.0)	(n.a.)
Interest payments 3/	(7.2)	(16.5)	(25.8)	(n.a.)
Others 4/	(37.0)	(66.5)	(129.3)	(n.a.)
Development	9.2	14.0	30.1	156.7
Others 5/	12.6	5.3	-	-
Deficit (on a commitment basis)	- 19.8	-17.5	-59.3	-
Change in identified domestic arrears	3.3	-8.4	-3.9	-
Deficit (on a cash basis)	-16.5	-25.9	-63.2	-
Financing	16.5	25.9	63.2	-
External borrowing (net)	3.7	3.0	9.6	-
Drawings	(5.9)	(17.9)	(49.2)	-
Repayments (-)	(-2.2)	(-14.9)	(-39.6)	-
Domestic	12.8	22.9	53.6	-
Bank	(11.3)	(-2.5)	(55.5)	-
Non-bank	(1.5)	(25.4)	(-1.9)	-

SOURCE: MINISTRY OF FINANCE AND BANK OF UGANDA, August, 1986

1/ On a commitment basis.

2/ Includes development expenditure for defence.

3/ Includes IMF Charges.

4/ Includes debits on Treasury Main Clearance Account not included under interest payments above.

5/ Includes the change in the balance of other government accounts at Bank of Uganda and the difference between cheques-issued and cheques-cashed in the same fiscal year.

n.a Data not yet available.

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Government Borrowing (Domestic)
Net Position as at End of Period (Shs.bm)

	1980	1981	1982	1983	1984	1985
A. Bank of Uganda	12.439	20.215	29.128	36.884	60.512	105.017
B. Commercial Banks	2.408	9.094	4.983	3.984	2.678	3.241
C. Non Banking System	1.536	2.447	7.039	14.087	34.944	42.389
Total	16.383	31.756	41.150	54.955	98.134	150.647

Source: Bank of Uganda

U G A N D A: MONETARY SURVEY, 1983 - 1985

(In billions of U. Shs)

	1980	1981	1982	1983				1984				1985 Actual		Provisional	
				I	II	III	IV	I	II	III	IV	I	II	III	IV
Net Foreign Asset	-429.9	-49.0	-52.2	-60.4	-65.0	-60.1	-55.5	-54.8	-58.3	-60.1	-51.2	-62.3	[illegible]	-57.6	-58.0
Bank of Uganda	-538.3	-49.9	-54.2	-64.8	-69.2	-64.7	60.3	-62.1	-66.4	-68.0	-61.4	-70.8	[illegible]	-62.6	-63.0
Comm. Banks	108.4	0.9	2.0	4.4	4.2	4.6	4.8	7.3	8.1	7.9	10.2	8.5	5.4	5.0	5.0
Domestic Credit	20.8	40.8	55.5	58.2	69.4	65.6	75.6	74.7	85.1	87.6	120.2	181.5	195.2	217.9	200.8
Government (Net)	14.8	29.3	34.1	35.9	45.0	37.3	40.9	39.0	41.8	43.6	66.2	95.3	97.3	109.1	109.8
Bank of Uganda	(12.4)	(20.2)	(29.1)	(32.7)	(42.0)	(34.6)	(36.4)	(36.9)	(39.8)	(41.6)	(64.3)	(92.4)	[illegible]	(106.7)	(105.1)
Commercial Banks	(2.4)	(9.1)	(5.0)	(3.2)	(2.3)	(2.7)	(4.0)	(2.1)	(2.0)	(2.0)	(1.9)	(3.9)	[illegible]	(2.4)	(3.7)
Private Sector	6.0	11.4	21.4	22.3	25.1	28.3	35.2	35.7	43.3	44.0	54.0	[illegible]	97.9	108.8	92.0
Total Assets	-	-	-	-2.2	4.4	5.5	20.1	19.9	26.8	27.5	69.0	119.2	155.0	160.3	142.8
Broad Money	17.4	30.8	38.5	42.8	47.2	47.6	54.4	62.6	75.9	87.7	111.5	160.9	[illegible]	204.0	211.3
M 1	12.9	24.6	29.8	33.4	36.6	36.6	43.5	50.2	61.8	72.6	[illegible]	140.4	[illegible]	173.8	181.3
CC	(6.2)	(10.3)	(12.8)	(14.6)	(16.8)	(16.3)	(18.9)	[illegible]	(28.6)	(31.8)	[illegible]	[illegible]	(66.3)	(77.2)	(80.7)
DD	(7.0)	(14.3)	(16.9)	(18.8)	(19.6)	(20.3)	(24.6)	(25.5)	(33.2)	(40.8)	(50.0)	(77.8)	(90.9)	(96.6)	(100.6)
TSD	4.5	6.2	8.7	9.4	10.8	11.0	10.9	12.4	14.1	15.1	17.6	20.5	24.5	30.2	30.0
Foreign Exchange Rev.	-	-	-35.2	-44.4	-47.3	-44.1	-45.1	-53.1	-58.1	-63.4	[illegible]	-70.9	-67.3	-84.3	-109.1
Other items (Net)	-	-	-40.5	-0.6	4.5	2.0	10.8	10.4	9.0	3.2	22.1	29.2	40.6	40.6	40.6

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Uganda: Balance of Payments

(US $ Millions at current prices)

	1981	1982	1983	1984e	1985e
Merchandise exports	245.5	347.1	367.6	407.9	380.0
Merchandise imports	-414.7	-422.0	-428.1	-342.0	-264.0
Trade balance	-169.2	-74.9	-60.5	65.9	116.0
Services (net) (1)	-86.7	-85.5	-96.9	-58.9	-227.0
CURRENT ACCOUNT BALANCE	-255.9	-160.4	-157.4	7.0	-111.0
Official grant receipts	105.5	90.5	78.9	79.3	61.0
Public M & LT loans (net)	38.7	63.9	26.5	68.7	14.6
Gross disbursements	(99.7)	(120.6)	(93.7)	(138.6)	(85.6)
Scheduled repatments	(-61.0)	(-56.7)	(67.2)	(-69.9)	(-71.0)
Use of IMF credit (net)	132.3	88.3	127.5	-10.2	-89.5
Other capital items (including change in arrears)	0.4	-48.0	-47.3	-89.3	17.3
Change in reserves	-21.0	-34.3	-28.2	56.2	29.5
Memo items					
Level of gross reserves at end of year	25.2	59.5	87.7	53.3	na
Reserves in terms of months'imports (of goods and non-factor services)	0.7	1.7	2.5	1.7	<2.0

Source: IMF, World Bank, Bank of Uganda, and Ministry of Planning and Economic Development.

Notes: (1) Services are defined differently by the IMF and GOU, as a result, it is difficult to compare directly those BOP statistics prpared by the two groups. The estimates used here are IMF for 1981-1984, and GOU estimates for 1985. Confusion exists as to the accounting for certain Kenya origin service values for 1985, a low estimate has been used.

e denotes estimate

UGANDA: **ANALYSIS SALES OF FOREIGN EXCHANGE INSIDE AND OUTSIDE THE AUCTION 1983/85**

	1983 July - Dec		1984 Jan - June		1984 July - Dec		1985 Jan - June		1985 July - Dec		July 1983 - Dec 1985	
	Millions of US$	% of Total	Millions of US$	% of Total	Millions of US$	% of Total	Millions of US$	% of Total	Millions US $	% of Total	Millions US $	% of Total
Foods; Cooking Oil & Non Alcoholic Beverages (Cooking Oil & Fat)	2.782	3.5	2.638	3.3	3.591	3.8	2.438	2.7	2.295	3.6	13.744	3.9
Salt	1.914	2.4	1.698	2.1	1.723	1.8	0.488	0.5	1.68[illegible]	2.7	7.506	1.9
Sugar	8.354	10.6	9.544	11.8	10.838	11.5	2.591	2.9	3.36[illegible]	5.3	34.687	8.9
Cigarettes	1.453	1.8	1.353	1.7	0.543	0.6	0.366	0.4	0.084	0.1	3.799	0.9
Alcoholic Beverages Beers, Wines and Spirits	0.834	1.1	0.293	0.4	0.423	0.4	0.[illegible]70	0.6	0.553	0.9	2.673	0.6
Soap, Cleansing & Polishing Preparations	3.439	3.1	4.295	5.3	4.646	4.9	3.874	4.4	3.119	5.0	19.373	4.8
Drugs Medicinal & Pharmaceautical Products	1.717	2.2	3.706	4.6	3.338	3.5	3.479	3.9	1.476	2.3	13.716	3.4
Textile Fabrics & Ready Made Clothings	10.227	13.1	7.501	9.3	4.783	5.1	2.681	3.0	1.572	2.5	26.764	6.6
Motor Cycles & Bicycles	0.342	0.4	0.562	0.7	0.204	0.2	0.892	1.0	1.390	2.2	3.380	0.8
Road Motor Vehicles	4.465	5.7	8.326	10.3	5.376	5.7	4.525	5.1	3.417	5.4	26.109	6.4
Rubber Tyres & Tubes	1.809	2.3	1.047	1.3	1.3[illegible]7	1.5	3.6[illegible]	4.2	0.990	1.6	8.930	2.7
Industrial & Agricultural Machinery	1.579	2.0	0.928	1.1	2.736	2.9	4.910	5.5	3.581	5.7	13.734	3.4
Spare-Parts	2.906	3.7	3.197	3.9	3.899	4.1	3.709	[illegible].2	4.313	6.9	18.024	4.4
Lime, Cement, Fabricated Construct	3.555	4.5	5.254	6.5	4.888	5.[illegible]	8.435	9.5	7.021	11.2	29.153	7.2
Office Machines, Stationery & Books	3.447	4.4	2.163	2.7	2.475	2.6	3.501	3.9	1.640	2.6	13.226	3.3
Matches, Candles & Electrical Equipment	1.175	1.5	1.184	1.5	1.072	1.1	2.207	2.5	0.734	1.2	6.372	1.6
Professional Equipment	0.321	0.4	0.470	0.6	1.273	1.3	0.923	1.0	1.116	1.9	4.103	1.0
Household Equipment	1.821	2.3	1.445	1.8	1.104	1.2	1.079	1.2	1.633	2.6	7.082	1.7
Shoes & Materials for Making Shoes	0.784	1.0	0.769	0.9	0.790	0.8	1.172	1.3	0.936	1.5	4.451	1.1
Packing Materials & Bags	0.788	1.0	1.736	2.1	3.792	0.4	1.730	1.9	1.516	2.4	9.562	2.4
Miscellaneous Imports	4.998	6.4	3.549	4.4	4.956	5.2	8.451	9.5	1.936	3.1	23.890	5.6
Total	58.710	74.7	61.658	76.1	63.847	67.6	61.698	69.5	44.415	70.6	290.328	71.6

% totals may not add due to rounding errors

Source: Bank of Uganda; August, 1986

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BANK OF UGANDA

CONSOLIDATED GENERAL IMPORT PAYMENT FOR THE YEAR 1985 (IN US. $)

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Agri. Prods. Seeds/MSC.F/Stuff	-	596.2	238.7	-	8.7	347.5	179.2-		23.0	745.2-	59.6	69.1	2207.6
Animals, Poultry Animal Drugs	37.8	49.9	7.0	80.3	26.1	3.6	52.0-		141.1	-	53.6	114.5	571.9
Animals & Vegetable Oils & Feeds	164.5	320.9	222.9	114.7	236.0	10.1	--		52.2	44.3	15.5	-	1219.2
Bicycle Spare Parts	48.2	42.4	61.7	83.1	65.4	178.4	545.3	66.4	13.5	34.6	4.1	31.1	1185.6
Beverage, Tobacco & Soft drink	-	66.2	-	-	-	35.4	--	-	-	-	48.1	-	105.7
Bicycles	19.5	81.2	31.0	89.1	-	500.5	525.2	24.4	-	94.4	195.8	-	1317.0
Chemical Products	188.8	14.3	110.5	139.9	426.3	147.2	202.7	-	125.8	95.2	-	-	1645.7
Domestic Appliances	326.0	272.7	124.9	488.6	185.6	66.3	60.0	-	17.0	196.1	-	-	1836.3
Dry Battery Cells	-	41.3	170.4	15.5	292.5	-	-	-	-	436.8	15.8	299.2	715.8
Educational Books & Equip	91.5	36.2	22.0	328.3	271.3	322.1	391.5	-	1,233.6	300.0	142.8	358.8	3449.3
Fertilizers	-	-	-	-	48.1	218.9	178.2	315.7	27.1	-	-	-	1589.6
Foot Wears	17.8	44.9	29.8	4.8	19.2	-	-	-	-2.2	-	38.2	-	118.7
Gunny Bags	-	-	-	-	1,090.9	-	-	-	-4.9	460.9	230.0	680.0	1090.9
Hardware Goods & Build. Materials	553.6	532.5	551.6	865.5	1,759.2	1077.9	3,752.1	1077.8	1383.4	-	1174.7	120.4	12732.7
Hoes	-	-	2.3	185.5	-	211.1	137.5	-	-	9373.1	330.7	1280.0	386.9
Industrial Spares & Machineries	1094.3	1694.8	543.1	1161.8	-	10286.0	3038.3	1491.3	2717.4	835.5	32.6	373.5	33854.6
" Raw Materials	1923.5	551.2	750.2	2623.6	454.5	1675.2	1674.7	1123.5	2394.7	439.6	417.8	-	14709.8
Metals	-	-	-	-	-	-	-	-	-	56.7	-	9.2	1205.5
Minerals & Fuels	-	-	-	-	-	-	-	-	-	-	75.2	11.3	2990.9
Motor Vehicles (a) Heavy Comm.	26.5	29.5	-	-	-	-	178.6	418.0	-	1003.1	49.3	117.7	646.1
" " (b) Light Comm.	38.4	159.0	46.3	80.7	530.1	726.9	492.1	172.5	48.2	368.5	-26.9	185.8	8937.2
" " (c) Passengers	48.1	12.4	8.0	293.7	125.6	46.8	127.3	214.2	-	-473.7	-	-	6679.6
Spare Parts	634.2	3212.0	294.3	51.4	512.6	1629.4	459.1	21.5	212.7	4.5	412.9	-	551.6
Medicine & Medical Equip.	236.0	512.1	620.7	765.4	761.9	2906.3	580.2	42.8	86.1	-	-	-	1750.5
Photographic & Optical Equip.	10.6	-	-	329.9	1.7	14.8	5.7	-	-	491.2	-	711.1	5955.5
Radios & Radio Spare Parts	2.3	7.2	23.9	18.2	148.1	1500.2	-	-	-	8006.7	1320.0	-	7436.7
Soap Washing & Toilet Papers Polishes	193.9	682.6	2707.9	64.3	1078.2	225.3	13.6	-	604.7	591.7	-	-	11250.3
Sugar	2600.8	144.7	575.4	36.4	-	-	1437.6	-	2475.9	-	-	-	1950.2
Salt	322.5	233.3	227.6	-	-	-	496.0	-	1964.2	186.1	-	30.8	1673.3
T.V. Sets & Spare Parts	38.5	-	-	-	-	-	-	-	-	517.6	-	-	3509.4
Textiles	46.2	203.8	399.8	-	615.8	157.1	74.3	-	-	-	-	-	929.4
Tyres & Tubes	120.9	259.8	168.1	176.3	717.9	1295.4	309.5	-	114.3	-	-	-	10.7
Wines & Spirits	-	-	8.6	306.1	-	-	-	-	193.9	-	-	-	31.9
Watches & Clocks	-	-	10.7	48.3	-	-	-	-	-	-	-	-	-902.0
Sports Equipment	-	-	19.2	-	12.7	-	-	84.5	-	-	191.6	-	175.6
Office "	48.2	22.7	120.3	-	63.7	91.7	311.8	-	82.4	2365.9	-	-	-
Fishing Nets	-	-	47.3	26.7	64.1	29.6	34.6	-	-	-	-	-	3443.4
Dental Cream	-	-	-	-	-	-	-	5.0	-	-	258.-	-	101.3
Motor Veh. (Personal Cars	27.4	51.7	30.7	-	353.3	40.3	148.7	-	-	1343.4	-	-	-
Mattresses	91.6	-	-	228.8	-	-	9.7	-	-	-	-	-	11347.4
Shoe Polish	-	-	-	-	193.4	-	-	35.0	-	-	-	45.6	-
Packing Materials	1729.5	5384.9	99.9	-	-	369.7	738.3	-	1120.8	-		-	6002.7
Vehicle for Govt. Min. & Dept.	-	-	-	63.7	-	-	-	2859.1	-				148.9
Tractors & Agric Component	292.7	-	1.8	-	51.2	152.6	2426.3	-	205.3				
Blankets & Bed Covers	-	39.2	-	19.3 24.2		27.8	-		-				
Total	11183.8	15299.6	8276.6	8714.6	10115.1	24294.1	17578.1	7901.7	15236.8	29527.0	5066.6	4456.0	156557.0

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UGANDA:

KAMPALA CONSUMER PRICE INDEX FOR THE MIDDLE INCOME GROUP, 1982-1985
(3rd QUARTER 1981 - 100)

ITEM	WEIGHT	1982	1983	1984					1985				
				Q1	Q2	Q3	Q4	1984	Q1	Q2	Q3	Q4	1985
Food	41.0	133.8	189.9	196.0	221.0	253.3	347.7	254.5	500.5	628.9	738.3	912.9	695.0
Drink and Tobacco	17.0	105.3	114.8	115.1	139.6	145.0	205.7	151.4	284.7	341.9	445.1	434.8	376.6
Fuel and Lighting	6.0	143.8	235.5	309.7	360.7	396.2	1228.5	573.8	1343.7	1370.2	1431.4	1553.6	1424.7
Clothing	14.0	105.6	100.8	103.6	105.0	126.1	160.4	128.3	186.7	193.1	203.2	292.2	218.8
Transport	10.0	133.7	182.2	207.8	237.8	258.9	277.4	245.3	405.9	409.6	417.0	435.4	417.0
Other consumer goods	10.0	118.4	119.8	124.7	133.8	142.1	194.2	148.6	301.7	330.7	388.8	484.2	376.4
Other manufactured goods	2.0	100.9	113.2	106.8	105.9	100.4	113.7	106.7	188.6	209.9	255.6	530.8	296.2
Average Consumer Price Index	100.0	121.1	150.1	160.1	178.7	200.4	291.1	207.6	389.4	442.5	500.7	601.6	483.6
Annual percentage increase in CPI (Inflation Rate)	-	-	25.9	14.8	20.0	30.4	84.0	38.3	143.2	147.6	149.9	106.7	132.9

SOURCE: BANK OF UGANDA, August, 1986

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UGANDA:

KAMPALA CONSUMER PRICES INDEX FOR THE LOW INCOME GROUP, 1982-1985
(3rd QUARTER 1981=100)

ITEM	WEIGHT	1982	1983	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1984	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1985
Food	70.0	127.4	194.1	209.7	239.2	275.9	373.2	274.5	500.5	650.8	746.8	945.1	710.8
Drink and Tobacco	13.0	70.5	90.7	109.4	129.5	140.8	178.5	139.6	304.1	300.8	338.2	508.6	362.9
Clothing	5.0	112.1	133.0	151.3	161.4	204.4	220.8	184.5	355.9	417.6	454.6	468.7	424.2
Household goods	5.0	120.9	124.1	150.2	153.7	173.3	250.3	181.9	358.6	438.8	467.2	602.8	466.9
Fuel	4.0	110.5	203.6	295.8	320.0	354.0	379.2	337.2	591.7	614.7	712.5	850.2	692.3
Transport	3.0	119.4	169.1	218.5	229.6	235.1	249.9	233.3	359.4	359.4	359.4	359.4	359.4
Average Consumer Price Index	100.0	118.5	171.9	193.9	217.5	249.7	322.1	245.8	451.8	558.2	632.1	787.3	607.4
Annual percentage increase in CPI (Inflation Rate)	-	-	45.1	35.6	32.5	35.9	63.8	43.0	133.0	156.6	153.1	144.4	147.1

SOURCE: BANK OF UGANDA AND MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, August, 1986.

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Uganda: ADMINISTERED COMMODITY PRICES, JANUARY 1981 - MAY 1986

(in Uganda Shillings per kilogram)

MINIMUM PRODUCER PRICES

EXPORT CROPS:	1981 JAN	1981 DEC	1982 JUNE	1982 DEC	1983 JUNE	1983 DEC	1984 JUNE	1984 DEC	1985 JUNE	1985 DEC	1986 MAY
Coffee											
Robusta	20.00	35.00	50.00	50.00	60.00	100.00	130.00	210.00	270.00	470.00	850.00
Arabica	37.40	65.45	93.00	93.00	102.30	140.00	210.00	320.00	420.00	760.00	1550.00
Cotton											
AR	15.00	[illegible]	40.00	40.00	50.00	90.00	120.00	180.00	220.00	320.00	400.00
BR	3.00	3.00	8.00	8.00	8.00	50.00	62.00	90.00	100.00	150.00	200.00
Tea (Green leaf)	4.00	6.00	10.00	10.00	[illegible]	40.00	45.00	70.00	80.00	120.00	140.00
Tobacco											
Flue Cured	35.00	79.25	100.00	100.00	115.00	200.00	220.00	330.00	430.00	800.00	1000.00
Fire Cured											
Rapper	21.60	53.70	67.00	67.00	77.00	100.00	-	-	310.00	560.00	650.00
Grade I	23.85	59.30	75.00	75.00	86.00	112.00	150.00	220.00	285.00	510.00	700.00
Cocoa	3.20	3.20	20.00	20.00	40.00	130.00	130.00	190.00	190.00	420.00	500.00
Consumer Prices for Petroleum Products											
Premium Gas	81.00	85.00	120.00	150.00	170.00	190.00	220.00	300.00	350.00	650.00	650.00
Regular Gas	78.40	80.00	110.00	140.00	160.00	180.00	210.00	290.00	340.00	640.00	640.00
Diesel	47.20	50.00	60.00	90.00	110.00	150.00	170.00	250.00	300.00	500.00	500.00
Kerosene	30.00	30.00	40.00	80.00	90.00	130.00	170.00	250.00	300.00	500.00	500.00

Source: Ministry of Cooperatives, Coffee Marketing Board and Bank of Uganda; August, 1986.

Notes
1. In 1983 producer prices increased in May, July and December while Petroleum prices increased only in June and December
2. In 1984 producer prices were increased in June and October.
3. In 1985 producer prices were increased in June and October.

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Uganda: Nominal and Real Producer Prices, 1981-1986

	June 1981	June 1982	June 1983	June 1984	June 1985	May 1986
Nominal Producer Prices						
Coffee						
Robusta	20.0	50.0	60.0	130.0	270.0	850.0
Arabica	37.4	93.0	102.3	210.0	420.0	1550.0
Cotton (AR)	15.0	40.0	50.0	120.0	220.0	400.0
Tea	4.0	10.0	15.0	45.0	80.0	140.0
Tobacco						
Flue	35.0	100.0	115.0	220.0	430.0	1000.0
Cocoa	3.2	20.0	40.0	130.0	190.0	500.0
Producer Price Index (June to June)						
Coffee						
A	100	250	300	650	1350	4250
R	100	249	274	561	1123	4144
Cotton	100	267	333	800	1467	2667
Tea	100	250	375	1125	2000	3500
Tobacco	100	286	329	629	1229	2857
Cocoa	100	625	1250	4063	5938	15625
CPI	92.8%	44.9%	32.6%	163.0%	158.0%	100%
CPI Index	100.0	144.0	192.1	505.2	1303.5	2607.0
Real Price Index						
Coffee A	100	172.5	156.2	128.7	103.6	163.0
R	100	171.8	142.6	111.0	86.2	159.0
Cotton	100	184.3	173.3	158.4	112.5	102.3
Tea	100	172.5	195.2	226.7	153.4	134.3
Tobacco	100	197.4	171.3	124.5	94.3	91.2
Cocoa	100	431.3	650.7	840.2	455.5	599.3

Sources: Inflation - 1980-83 World Bank Estimates; 1984-86 Government of Uganda Estimates
Prices - Ministry of Cooperatives; Coffee Marketing Board; and Bank of Uganda
August, 1986.

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BRAZIL COFFEE PRICES 1/

Year	U.S. cents/lb	Index (1980=100)
1960	36.58	17.5
1965	43.75	21.0
1970	55.80	26.7
1975	82.58	39.6
1976	149.48	71.6
1977	267.14	127.9
1978	165.29	79.2
1979	178.47	85.5
1980	208.79	100.0
1981	186.44	89.3
1982	143.68	68.8
1983	142.75	68.4
1984	149.65	71.7
1985	148.93	71.3
1986(4)	288.55	138.2

1/ Brazil, N.Y.

Source: IMF, International Financia Statistics, June 1986, pp. 76-77, and IFS Yearbook 1985, pp. 138-9.

COFFEE FUTURES PRICES 1/

Year/ Month	U.S. cents/lb	Index 2/
1986		
July	182.00	87.2
Sept.	169.47	81.2
Dec.	173.94	83.3
1987		
March	174.00	83.3
May	176.50	84.5
July	176.00	84.3
Sept.	180.50	86.5
Dec.	179.90	86.2
Average futures price	176.54	84.6

1/ NYCSC, 8/15/86
2/ 1980=100 (U.S. cents 208.79)
Source: International Herald Tribune, August 16-17, 1986

HSmith, REDSO/ESA, 8/18/86

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INDUSTRIAL PRODUCTION STATISTICS: 1982–1984.

(Selected Commodity and Establishments)

Name of Establishment	Commodity	Unit	Installed Capacity p.a.	Production 1982	Production 1983	Production 1984	Expected Production for 1985	% of Capacity Utilization 1982	% of Capacity Utilization 1983	% of Capacity Utilization 1984	Change in Capacity Utilization 1983/1982	Change in Capacity Utilization 1984/1983
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1. Dairy Corporation Ltd. (a) Kampala Plant	Milk	'000 litres	47,450·0	16,528·0	15,130·0	19,621·2	20,742·0	34·8	31·9	41·3	−2·9	9·4
(b) Mbale Plant	Milk	'000 litres	10,950·0	1,171·0	1,249·0	1,047·0		10·7	11·4	9·6	0·7	−1·8
2. Kakira Sugar Works Ltd.	Sugar	Tonnes	90,000·0	2,745·0	1,452·0	56·0	n.a.	3·0	1·6	0·1	−1·4	−1·5
3. Sugar Corporation of (U) Ltd.	Sugar	Tonnes	60,000·0	396·0	1,340·0	2,341·0	n.a.	0·7	2·2	3·9	1·5	1·7
4. National Sugar Works Ltd. Kinyala	Sugar	Tonnes	10,000·0	148·0	341·0	546·4	n.a.	1·5	3·4	5·5	1·9	2·1
5. Mukisa Foods Ltd.	Biscuits	Tonnes	+648·0	32·0	52·0	57·0	176·4	4·9	8·0	8·7	3·1	0·7
6. Madhvani Sweets and Toffees Factory	Sweets and Toffees	Tonnes	4,200·0	82·0	54·0	10·0	n.a.	1·9	1·3	0·2	0·6	−1·1
7. Nakasero Sweet Factory	Sweets	Tonnes	760·0	10·0	12·0	—	n.a.	1·0	1·3	—	0·3	—
8. Mukisa Foods Ltd. (Sweet Factory)	Sweets	Tonnes	+270·0	88·0	58·0	44·8	180·0	32·6	21·5	16·6	−11·1	−4·9
9. Blenders (U) Ltd.	Tea	Tonnes	1,150·0	967·0	524·0	111·6	n.a.	84·1	45·6	9·7	−38·5	−35·9
10. Green Tea Packers Ltd.	Tea	Tonnes	n.a.	—	84·0	52·0	n.s.	—	—	—	—	—
11. Kawa Kawomera Nabuka Ltd.	Coffee	Tonnes	1,000·0	26·0	15·0	41·7	300·0	2·6	1·5	4·2	−1·1	2·7
12. African Basic Foods Ltd.	Soyabean foods	Tonnes	600·0	—	96·5	45·0	n.a	—	16·1	7·5	—	−8·6
13. Ntinda Spices	Curry Powder	Tonnes	59·0	51·0	49·0	18·7	n.a.	86·4	83·1	31·7	−3·3	−51·4
14. Uganda Food Products Ltd.	Curry Powder	Tonnes	93·0	11·0	4·0	—	n.a.	11·8	4·3	—	−7·5	—
15. U[illegible] Millers Ltd.	Wheat Flour	Tonnes	45,000·0	4,434·0	5,298·0	4,214·0	n.a.	9·9	11·8	9·4	1·9	−2·4
16. Uganda Maize Industries Ltd.	Maize Flour	Tonnes	9,360·0	4,610·0	4,070·0	1,513·2	n.a.	49·3	43·5	16·2	−5·8	−27·3
17. Uganda Animal Feeds Ltd.	Animal Feeds	Tonnes	18,300·0	2,238·0	5,229·0	3,008·0	n.a.	12·2	28·6	16·4	16·4	−12·2
18. E.A. Distilleries Ltd.	Uganda Waragi	'000 litres	2,000·0	19·5	27·7	31·8	n.a.	0·9	1·4	1·6	0·5	0·2
19. Uganda Breweries Ltd.	Beer	'000 litres	31,250·0	5,955·0	6,477·1	6,482·2	6,000·0	19·1	20·7	20·7	1·6	0·1
20. Nile Breweries Ltd.	Beer	'000 litres	16,000·0	3,832·0	7,729·0	8,[illegible]4·4	n.a.	24·0	48·3	52·1	24·3	3·8
21. Lake Victoria Bottling Co. Ltd.	Soft Drinks	'000 litres	12,109·6	[illegible]·6	3,893·9	5,601·8	6,048·0	13·9	32·2	46·3	18·3	14·1
22. Uganda Mineral Waters Ltd.	Soft Drinks	'000 litres	586·6	80·5	20·0	155·5	447·6	13·7	3·4	26·5	−10·3	23·1
23. N. Crystal Springs (1973) Ltd.	Soft Drinks	'000 litres	513·0	1·6	9·4	5·5	n.a.	0·3	1·8	1·1	1·5	−0·7
24. B.A.T. Uganda Ltd.	(a) Cigarettes	Mil. Pieces	1,900·0	745·0	645·0	965·8	n.a.	39·2	33·9	50·8	−5·3	16·9
	(b) Shag-Tobacco	Tonne	72·0	33·0	32·0	24·2	n.a.	45·8	44·4	33·6	−1·4	−10·8
25. Nyanza Textile Industries Ltd.	Cotton Fabrics	'000Sq. Meters	35,720·0	14,422·8	12,960·4	9,171·0	n.a.	40·4	36·3	25·7	−4·1	−10·6
26. Pamba Textiles Ltd.	Cotton Fabrics	'000Sq. Metres	13,500·0	2,198·8	2,216·2	994·6	n.a.	16·3	16·4	7·4	0·1	−9·0
27. African Textiles Mill Ltd.	Cotton Fabrics	'000Sq. Metres	3,822·0	785·2	705·7	656·0	n.a.	20·5	18·5	17·2	−2·0	−1·1
28. Uganda Rayon Textile Manufacturers Ltd.	Rayon and Cotton Fabrics	'000Sq.Metres	4,050·0	1,149·6	724·5	653·3	n.a.	28·4	17·9	16·1	−10·5	−1·8
29. Uganda Blanket Manufacturers (1973) Ltd.	Blankets	'000 Pieces	1,500·0	129·2	119·7	82·3	356·9	8·6	8·0	5·5	−0·6	−0·3
30. Uganda Garments (1973) Ltd.	(a) Bed sheets	Pairs	160,000·0	3,515·0	3,072·0	1,723·5	n.a.	2·2	1·9	1·1	−0·3	−0·8
	(b) Garments	Dozens	7,000·0	721·0	1,414·0	927·0	n.a.	10·3	20·2	13·2	9·9	−7·0
31. United Garments Industry Ltd.	Garments	Dozens	115,670·0	33,527·0	18,642·0	7,608·0	n.a.	29·0	16·1	6·6	−12·9	−9·5
32. Uganda Fishnet Manufacturers Ltd.	Fishnets	'000Pieces	550·0	32·0	75·[illegible]	58·9	45·0	6·9	13·6	10·7	6·7	−2·9
33. Uganda Leather and Tanning Industry Ltd.	Finished Leathers	'000Sq Feet	5,070·0	264·0	688·0	488·8	1,000·0	5·2	13·6	9·6	8·4	−4·0
34. Uganda Bata Shoe Co. Ltd.	Foot wear	'000 Pairs	5,000·0	476·0	907·0	1,128·1	1,646·0	9·5	18·1	22·6	8·5	4·5
35. Uganda Shoe Co. Ltd.	Foot wear	'000 Pairs	15·0	2·0	2·0	4·7	n.a.	13·3	13·3	31·3	0·0	18·0
36. Walkover Footwear	Foot wear	'000 Pairs	78·0	4·0	7·0	3·3	n.a.	5·1	9·0	4·2	3·9	−4·8
37. Print Park Ltd.	Paper Containers	'000 Pieces	349,670·0	62,687·0	62,207·0	6[illegible],935·0	n.a.	17·9	17·8	17·4	−0·1	−0·4
38. PAPCO Industries Ltd.	Paper	Tonne	2,690·0	155·1	439·7	226·0	n.a.	5·8	16·3	8·4	10·5	−7·9
39. Ugationers Ltd.	Exercise Books	Gross	1,004,000·0	4,175·0	171·0	—	n.a.	0·4	—	—	—	—
40. Ugastat Ltd.	Envelopes	'000 Pieces	124,000·0	2,[illegible]·0	378·5	6,525·0	n.a.	1·7	0·3	5·3	−1·4	5·0
41. Associated Paper Industries Ltd.	Paper Sacks	'000 Pieces	12,144·0	1,747·5	1,751·0	1,084·3	n.a.	14·4	14·4	8·9	—	−5·5
42. Uganda Packaging Industries Ltd.	Card Boxes	Sq.Meters	720,000·0	179,685·0	345,868·0	106,462·0	n.a.	25·0	48·0	14·8	23·0	33·2
43. Sanyu International Ltd.	Toilet Paper	2 ply.	576,000·0	—	—	46,304·0	n.a.	—	—	8·0	—	—
44. Gemini Industries Ltd.	Toilet Paper	2 ply.	[illegible],750,000·0	—	—	642,102·0	n.a.	—	—	81·0	—	—
45. [illegible]mpe Paints Factory Ltd.	Paints	'000 litres	800·0	406·0	69·0	72·4	n.a.	50·0	8·6	9·1	−42·2	0·5
46. International Paints (U) Ltd.	Paints	'000 litres	960·0	—	138·0	54·7	68·3	—	14·4	5·7	—	−8·7
47. Leyland Paints (U) Ltd.	Paints	'000 litres	631·0	7·0	147·0	86·3	32·0	1·1	23·3	13·7	2·2	−9·6
48. Berger Paints (U) Ltd.	Paints	'000 litres	1,200·0	110·0	72·0	144·2	180·0	9·2	6·0	12·0	−3·2	6·0
49. Sadolin Paints (U) Ltd.	Paints	'000 litres	n.a.	—	—	39·3	n.a.	—	—	—	—	—
50. Associated Match Co. Ltd.	(a) Small size Matches	Cartons	43,200·0	1,900·0	1,042·0	—	n.a.	4·4	2·4	—	−2·0	—
	(b) Large size Matches	Cartons	12,000·0	1,573·0	1,479·0	—	n.a.	13·1	12·3	—	−0·8	—
51. Dunlop E.A. Ltd.	(a) Bicycle Tyres	'000 Pieces	1,000·0	—	69·0	30·6	n.a.	—	6·9	3·1	—	−3·8
	(b) Bicycle Tubes	'000 Pieces	1,400·0	—	67·0	118·7	n.a.	—	4·8	8·4	—	3·6
	(c) Rubber Solution	'000 Pieces	12,960·0	327·0	58·0	648·4	n.a.	2·5	0·5	5·0	−2·0	4·5
	(d) Adhesives	'000 litres	118,000·0	145·0	590·0	1,560·0	n.a.	0·1	0·5	1·3	0·4	0·6
52. Associated Battery Manufacturers Ltd.	Motor Vehicle Batteries	Pieces	50,000·0	—	4,076·0	9,782·0	18,000·0	—	8·2	19·6	—	11·4
53. Uganda Clays Ltd.	Bricks, Blocks, Tiles	Tonnes	25,000·0	8,820·0	11,635·0	11,642·0	n.a.	35·3	46·5	46·6	11·2	0·1
54. Uganda Cement Corp. Tororo	Tororo Cement	Tonnes	260,000·0	10,705·0	12,482·0	13,822·0	n.a.	4·1	4·8	5·3	0·7	0·5
55. Uganda Cement Corp. Hima	Hima Cement	Tonnes	219,000·0	7,766·0	18,293·0	11,099·0	n.a.	3·5	8·4	5·1	4·9	−3·3
56. E.A. Steel Corporation Ltd.	(a) Finished Products	Tonnes	19,000·0	1,004·0	1,657·0	1,398·1	n.a.	5·3	8·7	7·4	3·4	−1·3
	(b) Steel Ingots	Tonnes	22,0[illegible]·0	1,446·0	2,341·0	1,405·5	n.a.	6·6	10·6	6·4	4·0	−4·2
57. E.A.Steel Products Ltd.	Misc. Steel Products	Tonnes	1,417·0	50·0	119·0	306·1	n.a.	3·5	8·4	21·6	4·9	13·2
58. Sembule Steel Mills Ltd.	Metal Products	Tonne	5,380·0	360·0	384·0	41·9	n.a.	6·7	7·1	0·8	0·4	6·4
59. Uganda Metal Industries Ltd.	Metal Products	Tonne	1,380·0	16·0	298·0	340·9	n.a.	1·2	21·6	24·7	20·4	3·1
60. TUMPECO Ltd.	(a) Steel [illegible]	Pieces	36,000·0	1,539·0	3,465·0	4,213·0	8,390·0	4·3	11·7	21·3	7·4	11·6
	(b) Enamelware	Dozens	3,000,000·0	n.a.	35,637·0	33,630·0	42,540·0	—	1·2	1·1	—	−0·1
	(c) Spring Mattresses	Pieces	36,000·0	—	—	255·0	1,075·0	—	—	0·7	—	—
	(d) Number Plates	Pairs	12,000·0	5,763·0	7,710·0	6,077·0	9,000·0	47·6	64·3	50·6	16·7	−13·7
61. C[illegible] (A) Ltd.	Steel Doors and Windows	Tonnes	300·0	—	12·1	93·7	n.a.	—	4·0	31·2	—	27·2
62. Uganda Baati Ltd.	G.C.I. Sheets	Tonne	9,[illegible]00·0	1,673·0	2,647·0	1,500·2	5,[illegible]·0	20·6	29·4	16·7	8·6	−12·7
63. Tororo Steel Works Ltd.	G.C.I. Sheets	Tonne	11,000·0	745·0	340·0	451·0	n.a.	6·5	3·[illegible]	4·1	1·7	[illegible]·0
64. Uganda Hoes Ltd.	Hoes	'000 Pieces	3,000·0	195·9	52·0	113·0	n.a.	6·5	1·7	3·8	−4·8	2·1
65. UGMA Engineering Corp.	Hoes	'000 Pieces	6,[illegible]00·0	49·0	72·0	71·5	n.a.	0·8	3·2	1·2	0·4	0·0
66. Vita Foam (U) Ltd.	Foam Mattresses	'000 Pieces	253·6	n.a.	15·6	21·7	n.a.	—	6·7	9·3	—	[illegible]·5
67. Uganda Foam Mattresses Ltd.	Foam Mattresses	'000 Pieces	n.a.	—	—	1·8	9·6	—	—	—	—	—
68. Kampala Chalk Factory Ltd.	Chalk	Carton	12,000·0	n.a.	4,536·0	3,339·0	n.a.	—	37·8	29·5	—	−8·3
69. Cable Corporation Ltd.	Cable Conductors	Kms.	4,500·0	1,053·0	2,463·0	2,342·5	n.a.	23·4	65·3	55·7	42·4	−7·[illegible]

Notes: (1) + Previous figures have been amended.

E/4-17

Population Growth

Census		Projections				
1969	1980	1981	1982	1983	1984	1985
9.54	12.64	13.14	13.48	13.98	14.28	14.68

Source: Government of Uganda estimates, August, 1986

ONFARM PRICES AND LOCAL MARKET PRICES FOR VARIOUS CROPS IN JINJA DISTRICT AS AT APRIL 1986 (SHS PER KG)

	ON FARM	LOCAL MARKET
Bananas	180	250
Maize (grain)	200	250
Finger Millet	200	300
Sorghum	200	300
Rice (milled)	1100	1500
Beans (one colour)	300	400
Beans (mixed)	250	350
Soya Beans	300	400
Field Peas	-	800
Cow Peas	400	600
Irish Potatoe	-	400
Sweet Potatoes	150	200
Cassava (fresh/wet)	30	90
Cassava (dry)	100	150
Yams	200	400
Tomatoes	200	300
Onions	1000	1500
Pineapples	150	200
Citrus fruit	100	200
Cabbage	100	150
Egg Plant	50	100
Groundnuts (shelled)	800	1000

NATIONWIDE

E/4-19

LABOUR AND INPUTS COSTS AS PERCENTAGES OF TOTAL PRODUCTION COSTS

CROP	TOTAL PRODUCTION COSTS	% LABOUR	% INPUTS	TOTAL ~~LABOUR~~ LOAN LESS 50% OF LABOUR	% LABOUR	% INPUTS
1. COTTON	824,100=	77.7	22.3	503,350=	63.6	36.4
2. BANANA (MATOOKE)	419,300=	41.1	58.9	333,500=	25.9	74.1
3. PINEAPPLE	2,903,000=	17.1	82.9	2,655,500=	9.3	90.7
4. MILLET	767,850	82.7	17.3	450,350=	70.5	29.5
5. ONIONS	772,450	79.3	20.7	466,200=	65.7	34.3
6. RICE	2,060,000	72.8	27.2	1,310,000=	57.3	42.7
7. CASSAVA	472,384	99.5	0.5	237,384=	99.0	1.0
8. SOYABEAN	367,500	91.8	8.2	198,750=	84.9	15.1
9. SIMSIM	383,500	91.3	8.7	208,500=	83.9	16.1
10. SUNFLOWER	312,500	100.	0	156,250=	100.	0
11. COFFEE - ARABICA	927,100	76.3	23.7	573,350=	61.7	38.3
12. COFFEE - ROBUSTA	907,100	75.8	24.2	563,350=	61.0	39.0
13. GROUNDNUTS	311,300	64.6	35.4	549,300=	47.7	52.3
14. BEANS	436,100	78.5	21.5	264,850=	64.7	35.3
15. SWEET POTATOES	576 600	90.2	9.8	316,600=	82.1	17.9
16. MAIZE	719,650	68.1	31.9	474,650=	51.6	48.4
17. TOMATOES	1.529,040	50.7	49.3	1,141,540=	33.9	66.1
AVERAGE		74.0	26.0		62.5	37.5

E/4-20

MEAN PLOT SIZES (ACRES) Min of Ag, 1986 est.

CROP	MUKONO/LUWERO	BUSOGA
Cotton	0.365	0.517
Finger Millet	0.464	0.469
Sorghum	0.172	0.638
Cassava	0.152	0.382
Sweet Potatoes	0.104	0.132
Beans	0.166	0.362
Groundnuts	0.146	0.256
Sim Sim	0.229	0.233
Maize	0.212	0.395

E/4-2

COFFEE STATISTICS - LUWERO

TOTAL HECTARES	------ 10.620 Ha
Mean Plot size	------- 0,2 Ha
Number of Plots	------- 53,100
Number of Farmers	------- 80,000 (Estimated)
Total Production (85/86)	86,00 Metric tonnes
Average Yield	-------- 800 Kg/Ha

Source: UAFA, September 1986.

RER: Uganda. Commodity Import Illustrative list, prices, and quantities

Item	Unit Price	Quantity	Total
axe	4.69	1000	4687.50
saw	2.81	1000	2812.50
sledge hammer	7.22	1000	7222.22
construction hammer	5.00	1000	5000.00
digging shovel	3.44	1000	3437.50
panga	2.50	1000	2500.00
slasher	2.81	1000	2812.50
ox plows	106.25	500	53125.00
seeds 10kg bags			
maize	7.50	10000	75000.00
sorghum	7.50	10000	75000.00
wheat	7.50	10000	75000.00
groundnuts	7.50	10000	75000.00
rice	7.50	10000	75000.00
corrugated iron roofing	3.13	10000	31250.00
nails per kilo	0.63	10000	6250.00
cement	5.00	10000	50000.00
electrical wiring 1mm,rol	53.13	500	26562.50
small tractor tires	250.00	500	125000.00
small tractor batteries	109.38	500	54687.50
small pickup batteries	46.88	500	23437.50
bicycles	100.00	2500	250000.00
small coffee hullers, ele	375.00	25	234375.00
small posho mills, elec	3125.00	50	156250.00
small oil press	18750.00	10	187500.00
mechanics tool kit	100.00	100	10000.00
carpenters tool kit	100.00	100	10000.00
wheelbarrows	30.00	1000	30000.00
barbed wire	16.56	10000	165625.00
chicken wire	37.50	5000	187500.00
fencing staples	0.69	50000	34375.00
block-making machines	2000	25	50000.00
Total			2089409.72

ANNEX G

IMPLEMENTATION SCHEDULE

September 1986	- Project Authorized - Grant Agreement signed - AID/W provides approval of waiver for limited competition
October	. REDSO prepares and mails RFA . Import license issued by GOU for private sector CIP . GOU submits Financing Request to USAID for private sector CIP . Private sector importer covers local currency equivalent
November	. RFMC opens LOC with US supplier for private sector CIP
December	- Cooperative Agreement applications received
January 1987	- Applications evaluated and NGO selected
February	- Cooperative Agreement awarded
March/April	- Technical assistance arrives - Credit specialist begins work with ICI's
May	- Private sector CIP importer takes delivery of tractors, and has one year to sell them - NGO conducts needs assessment and reviews ICI implementation plans for credit scheme - Acceptable ICI's begin credit scheme implementation, and qualify for support commodities - NGO places first commodity order
June	- Import license issued by GOU for second tractor shipment - GOU submits financing request to USAID - Importer covers local currency equivalent
July	- RFMC opens LOC with US supplier - NGO begins receipt and distribution of first order

September	- NGO places second order (remaining orders placed and received by September 1988)
January 1988	- Private sector CIP importer takes second delivery of tractors and has one year to sell them
March	- First evaluation
March 1989	- Second evaluation
July 1990	- Final evaluation
September 1990	- Project Assistance Completion Date

RFMC FILE

ACTION: RFMC - 5

13-SEP-86 TOR: 00:56
CN: 17581
CHRG: RFMC
DIST: RFMC

REDSO CHRON COPY

VZCZCNAC589
PP RUEHNR
DE RUEHC #8346 2560050
ZNR UUUUU ZZH
P 130056Z SEP 86
FM SECSTATE WASHDC
TO RUDKKP/AMEMBASSY KAMPALA PRIORITY 7401
INFO RUEHNR/AMEMBASSY NAIROBI PRIORITY 5959
BT
UNCLAS STATE 288346

AIDAC, NAIROBI FOR RFMC

E.O. 12356: N/A
TAGS:
SUBJECT: REOB ALLOWANCE - RURAL ECONOMIC RECOVERY

1. APPROPRIATION 72-1161021.3, BUDGET PLAN CODE GDAA-86-21617-AG13 (ALLOWANCE 643-52-617-00-69-61) INCREASED BY DOLLARS 5,492,000 FOR PROJECT 617-0108, RURAL ECONOMIC RECOVERY.

2. ABOVE FUNDS WERE DEOBLIGATED IN FY 86 FROM 617-0106, OILSEEDS PRODUCTION (DOLLARS 2,290,000) AND 617-0103, MANPOWER FOR AGRICULTURAL DEVELOPMENT (DOLLARS 3,192,000).

3. CN CLEARED HILL 3/21/86; FUNDS CANNOT BE OBLIGATED UNTIL PP IS AUTHORIZED. FUNDS MUST BE REOBLIGATED NLT 9/30/86 OR REVERT TO TREASURY.

4. ADIVCE OF ALLOWANCE FOLLOWS. SHULTZ
BT
#8346

NNNN

DATE REC'D 9-15	
REPLY DUE 9-16	
ACTION TO RFMC	
	INFO
DIR	
D/DIR	
REDSO	2
RHUDO	
RIG/A	
RIG/II	
RFMC	
PROG	
HRD	
PRJ	
FH	
AGR	
EXO	
PER	
GSO	
RF	1
CHRON	
CAR	
RMS	

138

9-23 1015

ANNEX I

ACTION: AID-4 INFO: ECON - 5

VZCZCNAC744 23-SEP-86 TOR: 02:09
OO RUEHNR CN: 20834
DE RUEHC #8283 2660236 CHRG: AID
ZNR UUUUU ZZH DIST: AID
O 230206Z SEP 86
FM SECSTATE WASHDC
TO RUDKKP/AMEMBASSY KAMPALA IMMEDIATE 7458
INFO RUEHNR/AMEMBASSY NAIROBI IMMEDIATE 6326
BT
UNCLAS STATE 298283

AIDAC, NAIROBI FOR REDSO/ESA

E.O. 12356: N/A
TAGS:
SUBJECT: UGANDA: RURAL ECONOMIC RECOVERY PROJECT
(617-0106)

A REVISED IEE RECOMMENDING A NEGATIVE DETERMINATION WAS
CLEARED BY EEO AND GC/AFR ON SEPTEMBER 22, 1986. COPIES
POUCHED TO USAID/KAMPALA AND REDSO/ESA. WHITEHEAD
BT
#8283

NNNN

REDSO UNCLASSIFIED STATE 270274 8-28

ACTION: AID-4 INFO: ECON - 5

ANNEX J

28-AUG-86 TOR: 22:17
CN: 11893
CHRG: AID
DIST: AID

VZCZCNA0677
RR RUEHNR
DE RUEHC #0274 2392153
ZNR UUUUU ZZH
R 272152Z AUG 86
FM SECSTATE WASHDC
TO RUDKKP/AMEMBASSY KAMPALA 7263
INFO RUEHNR/AMEMBASSY NAIROBI 5183
BT
UNCLAS STATE 270274

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: UGANDA RURAL ECONOMIC RECOVERY PROJECT (617-0108);
SECTION 116(A) HUMAN RIGHTS REVIEW

REF: KAMPALA 02493

THE RER PROJECT WAS REVIEWED AND APPROVED BY THE HUMAN RIGHTS WORKING GROUP ON AUGUST 20, 1986. WHITEHEAD
BT
#0274

NNNN

UNCLASSIFIED STATE 270274

UNCLASSIFIED KAMPALA 022901/01 8/29 14-30

ACTION: AID-4 INFO: ECON - 5

ANNEX K

VZCZCNA0261
OO RUEHNR
DE RUDKKP #2901/01 2410658
ZNR UUUUU ZZH
O 290658Z AUG 86
FM AMEMBASSY KAMPALA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5076
INFO RUEHNR/AMEMBASSY NAIROBI IMMEDIATE 2117
BT
UNCLAS SECTION 01 OF 02 KAMPALA 02901

29-AUG-86 T
CN: 12471
CHRG: AID
DIST: AID

AIDAC

NAIROBI FOR REDSO/ESA

E.O. 12356: N/A
SUBJECT: UGANDA - JUSTIFICATION FOR LIMITED COMPETITION FOR RURAL ECONOMIC RECOVERY PROJECT (617-0108)

REFERENCE: STATE 228957

1. THE FOLLOWING IS PROPOSED TEXT OF JUSTIFICATION FOR LIMITED COMPETITION FOR SUBJECT PROJECT. TEXT HAS BEEN CLEARED BY REDSO PROJECTS, RLA AND RCO.

2. QUOTE:

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: R. PODOL - DIRECTOR, USAID/KAMPALA

SUBJECT: UGANDA RURAL ECONOMIC RECOVERY PROJECT (617-0108): JUSTIFICATION FOR LIMITED COMPETITION IN THE AWARD OF A COOPERATIVE AGREEMENT

PROBLEM: YOUR APPROVAL IS REQUIRED TO LIMIT COMPETITION TO THE SIX PRIVATE VOLUNTARY ORGANIZATIONS (PVO) IDENTIFIED BELOW TO RECEIVE A COOPERATIVE AGREEMENT TO ASSIST IN THE IMPLEMENTATION OF THE COMMODITY AND CREDIT COMPONENTS OF THE UGANDA RURAL ECONOMIC RECOVERY PROJECT. THE SIX ORGANIZATIONS ARE: AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL (ACDI, COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE), CREDIT UNIONS OF NORTH AMERICA (CUNA, EXPERIMENT IN INTERNATIONAL LIVING (EIL), TECHNOSERVE, AND VOLUNTEERS IN TECHNICAL ASSISTANCE (VITA). THE TOTAL BUDGET FOR THE COOPERATIVE AGREEMENT IS EXPECTED TO BE ABOUT DOLS. 1.4 MILLION. AUTHORIZATION FOR PROJECT APPROVAL HAS BEEN DELEGATED TO USAID/UGANDA, WITH REDSO/ESA CONCURRENCE (REFTEL) IN ACCORDANCE WITH AID HANDBOOK 13, SECTION 1B2E, THE APPROVAL OF THE RESPONSIBLE ASSISTANT ADMINISTRATOR IS REQUIRED WHEN REQUESTS FOR APPLICATIONS ARE RESTRICTED TO A LIMITED NUMBER OF ENTITIES.

BACKGROUND: THE UGANDA RURAL ECONOMIC RECOVERY PROJECT

WILL INVOLVE TWO MAJOR COMPONENTS, ONE, FOR COMMODIT

PROCUREMENT AND DISTRIBUTION AND ANOTHER FOR THE PROVISION OF CREDIT TO SMALL COMMERCIAL FARMERS AND OTHER SMALL-SCALE RURAL PRODUCTIVE ENTERPRISES. THE IMPLEMENTATION OF BOTH COMPONENTS WILL INVOLVE COMMERCIAL CHANNELS, E.G., PRIVATE SECTOR DISTRIBUTORS, RETAILERS AND INTERMEDIATE CREDIT INSTITUTIONS (ICIS), BUT IN ADDITION WILL REQUIRE SUBSTANTIAL CENTRAL MANAGEMENT AND MONITORING AS WELL AS TECHNICAL ASSISTANCE

CURRENTLY IN UGANDA, AND PARTICULARLY IN CERTAIN WAR-DAMAGED AREAS, THERE IS GREAT DEMAND FOR SMALL-SCALE CAPITAL GOODS (E.G., TOOL KITS, MILLING MACHINES, BICYCLES) AND AGRICULTURAL IMPLEMENTS AND INPUTS, BUT SUPPLY IS SEVERELY LIMITED DUE TO LOW DOMESTIC PRODUCTION AND UNAVAILABILITY OF FOREIGN EXCHANGE. USING PROJECT FUNDS, GOODS IDENTIFIED THROUGH A NEEDS ASSESSMENT SURVEY WILL BE IMPORTED DIRECTLY AND THEN DISTRIBUTED PRIMARILY THROUGH COMMERCIAL CHANNELS. TECHNICAL ASSISTANCE FOR COMMODITY PROCUREMENT IS NEEDED DUE TO THE EXPECTED HIGH NUMBER OF INDIVIDUAL PURCHASES. ADDITIONALLY, IN SOME INSTANCES, ASSISTANCE WILL BE REQUIRED TO HELP RE-ESTABLISH COMMERCIAL DISTRIBUTION CHANNELS WHICH HAVE BEEN DISRUPTED DURING THE PAST SEVEN TO TEN YEARS.

MANY SMALL COMMERCIAL FARMERS AND OTHER SMALL-SCALE RURAL ENTREPRENEURS HAVE LOST MOST OF THEIR SAVINGS AS WELL AS THEIR TOOLS, AND, THUS, FACE A MAJOR REHABILITATION EFFORT. TO ASSIST THEM IN THIS EFFORT THE PROJECT INCLUDES A CREDIT COMPONENT TO BE IMPLEMENTED BY ICIS. THIS COMPONENT WILL ALSO REQUIRE SIGNIFICANT TECHNICAL ASSISTANCE SINCE SMALL-SCALE CREDIT HAS NOT BEEN OFFERED BY ANY CREDIT INSTITUTION FOR SEVERAL YEARS, AND THE ICIS WILL REQUIRE SUBSTANTIAL MONITORING.

DISCUSSION: GIVEN THE MANAGEMENT DEMANDS OF THIS PROJECT, AND THE PRESSING DEMANDS OF ON-GOING PROJECTS ON USAID/UGANDA, IT IS MOST APPROPRIATE TO ENTER INTO A COOPERATIVE AGREEMENT WITH A PVO CAPABLE OF MANAGING THE IMPLEMENTATION OF BOTH THE COMMODITY AND CREDIT COMPONENTS. THIS WILL LIGHTEN THE ADMINISTRATIVE BURDEN OF THE PROJECT

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ON USAID/UGANDA WHILE NONETHELESS PERMITTING SUBSTANTI MISSION PARTICIPATION DURING PROJECT IMPLEMENTATION. SUCH PARTICIPATION IS LIKELY TO BE NECESSARY GIVEN CONTINUING DIFFICUL? WORING ENVIRONMENT IN UGANDA AND THE RESULTING NEED F?R PROJECT ADAPTATION. OF THE SIX AMERICAN PVOS LISTED ABOVE, THREE (CARE, EIL AND ACDI) ARE THE ONLY AMERICAN PVOS APPROPRIATE TO THIS PROJECT NOW IN UGANDA, AND TWO OTHERS (TECHNOSERVE AND CUNA) HAVE HAD PREVIOUS UGANDAN EXPERIENCE. ALL SIX HAVE BEEN IDENTIFIED AS PARTICULARLY SUITED TO THE TASK, AND REPRESENT SOME OF THE MOST QUALIFIED EXPERTISE IN THEIR RESPECTIVE FIELDS.

BOTH CARE AND EIL HAVE BEEN ACTIVE IN UGANDA OVER THE PAST FEW YEARS, AND ARE CURRENTLY WORKING TOGETHER IN UGANDA IN THE IMPLEMENTATION OF AN AID-FINANCED PROJEC WITH INCLUDES COMMODITY PROCUREMENT AND DISTRIBUTION. ACDI IS ALSO NOW INVOLVED IN AN AID-FINANCED UGANDA PROJECT WHICH INCLUDES THE ESTABLISHMENT OF A RURAL CREDIT FACILITY ORIENTED TOWARD COOPERATIVES. IT HAS PROVEN THAT IT CAN FIELD COMPETENT AND EXPERIENCED TECHNICAL ASSISTANTS WHO INTERACT WELL WITH UGANDA COUNTERPARTS AND OTHR CONTACTS. TECHNOSERVE, WHICH HAD BEEN ACTIVE IN UGANDA UP TO THE AMIN REGIME, AND VITA BOTH HAVE A WELL-ESTABLISHED RECORD OF PROVIDING TECHNICAL ASSISTANCE IN VARIOUS COMMERICAL AREAS INCLUDING THOSE OF CREDIT AND ASSISTING SMALL SCALE BUSINESSES. THEIR RESPECTIVE OVERALL EXPERIENCE WOULI BE EXTREMELY USEFUL IN THE IMPLIMENTATION OF BOTH PROJECT COMPONENTS. LIKE ACDI, CUNA WOULD BE PARTICULARLY WELL SUITED TO IMPLEMENTING THE CREDIT COMPONE GIVEN ITS WEALTH OF EXPERIENCE IN THAT FIELD. CUNA HA HAD A LONG-STANDING RELATIONSHIP WITH THE AFRICA REGIONAL CREDIT ORGANIZATION ACOSCA, AND HAS MAINTAINE CONTACT WITH THE UGANDA CREDIT UNION MOVEMENT.

INTEREST IN THE PROJECT HAS BEEN EXPRESSED BY ALL OF THESE PVOS AND SELECTION OF ONE OR SEVERAL IN PARTNERSHIP WILL ENSURE TIMELY IMPLEMENTATION AND THE PROVISION OF THE NECESSARY SKILLS. SELECTION CRITERIA WILL BE INCLUDED IN THE PROJECT PAPER.

BECAUSE OF THE IMMEDIATE RECOVERY AND REHABILITATION OBJECTIVES OF THE PROJECT, IMPLEMENTATION REQUIRES THE SELECTION OF A CAPABLE PVO IN AS SHORT A TIME AS POSSIBLE. LIMITING COMPETITION FOR THE COOPERATIVI AGREEMENT TO THESE SIX PVOS WHICH HAVE ESTABLISHED CREDENTIALS AND WHICH ARE CAPABLE OF ASSUMING THE NECESSARY MANAGEMENT TASKS IS APPROPRIATE.

RECOMMENDATION: THAT YOU APPROVE THE LIMITING OF COMPETITION TO THE SIX PVOS LISTED ABOVE IN THE SELECTION OF A GRANTEE TO MANAGE THE IMPLEMENTATION OF THE CREDIT AND-COMMODITY COMPONENTS OF THE UGANDA RURAL ECONOMIC RECOVERY PROJECT.
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ACTION: AID-4 INFO: ECON - 5

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PP RUEHNR CN: 19595
DE RUEHC #4516 2612136 CHRG: AID
ZNR UUUUU ZZH DIST: AID
P 182138Z SEP 86
FM SECSTATE WASHDC
TO RUEHKM/AMEMBASSY KAMPALA PRIORITY 7438
INFO RUEHNR/AMEMBASSY NAIROBI PRIORITY 8204
BT
UNCLAS STATE 294516

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E.O. 12356: N/A
TAGS:
SUBJECT: UGANDA: RURAL ECONOMIC RECOVERY PROJECT (617-0128)--JUSTIFICATION FOR LIMITED COMPETITION

REF: KAMPALA 02881

ACTION MEMO TO LIMIT COMPETITION TO THE SIX PVOS CITED REFTEL APPROVED BY AA/AFR ON SEPTEMBER 15, 1986. COPIES POUCHED TO KAMPALA AND REDSO. SHULTZ
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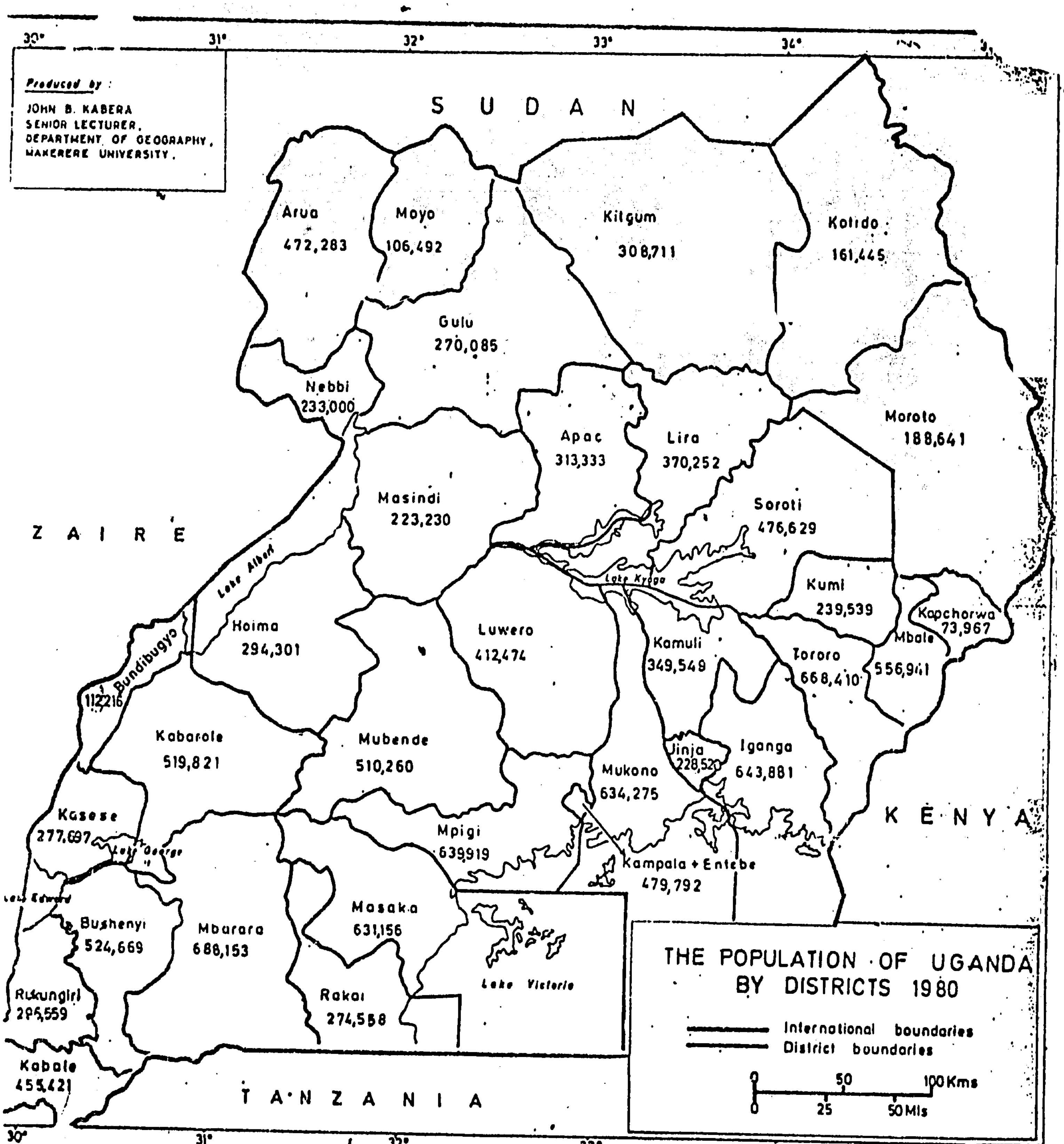

1983, New edition.

Total Population : 12,636,179. Male : 6,259,837. Female : 6,376,342.