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AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S.A.I.D. MISSION TO UGANDA

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MEMORANDUM

DATE : October 10, 1991
TO : See Distribution
FROM : Shirley A. Erves, Acting Program Officer
SUBJECT : Document Distribution
REFERENCE : Grant No. 617-0113 -
Agricultural Non-traditional Export Promotion
PROJECT NO : 617-0113
AMOUNT : \$5,500,000

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Kampala, Uganda

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Shirley A. Erves
A/Program Officer
USAID/Uganda
October 16, 1991

AID Project No. 617-0113

AMENDMENT NO. 2
TO THE LIMITED SCOPE GRANT AGREEMENT
BETWEEN
THE REPUBLIC OF UGANDA
AND
THE UNITED STATES OF AMERICA
ACTING THROUGH
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
(A.I.D)
FOR THE AGRICULTURAL NON-TRADITIONAL EXPORT PROMOTION PROGRAM

Dated: September 27, 1991

Appropriation No: 72-111/21014
Budget Plan Code: GSSI-91-21617-KG13
Obligation Amount: \$2,500,000
Reservation Control No: U912062

A.I.D. Project No. 617-0113

AMENDMENT NO. 2
to the
Limited Scope Grant Agreement

Between

The Republic of Uganda

And

The United States of America, acting through the Agency
for International Development.

WHEREAS, the Republic of Uganda and the United States of America entered into a Limited Scope Project Grant Agreement ("Agreement") dated August 26, 1988 which was amended on July 31, 1990;

WHEREAS, the Republic of Uganda and the United States of America desire to amend the Agreement to provide additional funds for the project component of the Agricultural Non-Traditional Export Promotion Program:

NOW THEREFORE, the said Agreement is amended as follows:

1. Block 3 "Amount of Grant" is deleted in its entirety and the following substituted in lieu thereof:

"3. Amount of AID Grant: \$5,500,000"

2. Block 5, "Project Assistance Completion Date", is deleted in its entirety and the following is substituted in lieu thereof:

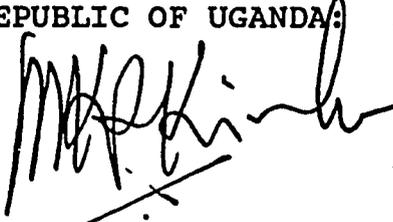
"5. Project Assistance Completion Date: July 31, 1994"

4. Annex A, Project Description, is supplemented by the attached Annex 1A.

5. Except as expressly modified herein, the Agreement, as amended, remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the Government of the Republic of Uganda and the United States of America, each acting through its duly authorized representative(s) have caused this Amendment to be signed in their name and delivered as of the day and date last below written.

FOR THE GOVERNMENT OF THE
REPUBLIC OF UGANDA:



Moses .R.K. Kintu
Minister of State for Finance
In-charge of Custodian Board
For and on behalf of the
Minister of Finance

Date: 9/27/91

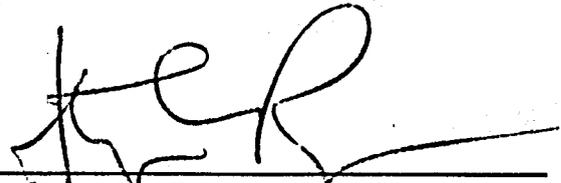
FOR THE GOVERNMENT OF THE UNITED
STATES OF AMERICA:



Johnnie Carson
American Ambassador

Date: 9/27/91

AGENCY FOR INTERNATIONAL
DEVELOPMENT



Stephen C. Ryner
Acting Director, USAID/Kampala

Date: 9/27/91

SECOND AMENDATORY AGREEMENT

ANNEX 1A

SUPPLEMENTAL AMPLIFIED PROJECT DESCRIPTION

I. PROJECT DESCRIPTION

A. Goal and Purpose

The Agricultural Non-Traditional Export Promotion Program (ANEPP) is designed to increase rural production and employment in Uganda by increasing the range and volume of non-traditional agricultural exports. To achieve these objectives, ANEPP (a) serves as a vehicle for discussion of policy reform objectives between the Government of Uganda and USAID/Uganda, (b) provides technical assistance in analysis of policy and operational constraints to export growth, and (c) provides resources for the importation of commodities essential to the growth of agriculture in general and exports in particular. These objectives and approaches are consistent with and supportive of the Mission's Country Program Strategy Paper (CPSP); indeed, ANEPP is likely to play a growing role in USAID/Uganda's program by serving as a vehicle for expanded policy dialogue associated with further NPA resources.

The ANEPP goal therefore remains as stated in the 1990 program amendment -- to increase rural production and employment. The ANEPP purpose also remains as stated in the 1990 program amendment -- to increase the range and volume of non-traditional exports. This PP Supplement builds upon ANEPP's solid progress toward achieving this goal and purpose by providing increased resources for policy analysis and operational problem-solving in the export sector.

B. Project Components

This PP Supplement provides additional support primarily for technical assistance and training, with modest resources provided for special activities and commodity support. Each of the new activities to be supported through this PP Supplement is discussed below.

1. Technical Assistance and Training

Long-Term Technical Assistance. Approximately 48 person-months of long-term technical assistance will be provided in two areas: analysis of policy and regulatory constraints to export and investment growth, and resolution of operational problems in the post-harvest handling and marketing of export crops.

Export and Investment Analysis. This advisor will focus on the "second-order" policy and regulatory constraints affecting specific export commodities and specific marketing channels, and will give special attention to problems constraining increased investment in the export sector. Apart from analytic responsibilities, this advisor will also prepare scopes of work for specialized analytic consultancies and assist in locating well-qualified local and expatriate consultants to perform them. The types of analysis envisioned include (a) quantification of the returns to Uganda associated with EPADU activities; (b) projections of the impact of various exchange rates on the competitiveness of Uganda's exports; (c) demand analysis for selected export products at various prices; (d) projected revenue implications associated with replacement of the duty drawback scheme, and reduction or elimination of protective tariffs; (e) projected investment and revenue implications associated with various levels of investment tax incentives; and (f) projected implications for revenue and air cargo space of a reduction in the tax applied to aviation fuel. Expanded small farmer participation and the role of women as entrepreneurs and producers in the export sector are cross-cutting issues that will have a prominent place in this analytic agenda.

Post-Harvest Handling/Marketing. This advisor will focus on operational constraints in bringing export crops to market. An important part of this work will be to help the Uganda private sector take up export support functions in such areas as crop inspection, commodity handling and packaging, market identification, and commodity brokering. This advisor will spend nearly all of his or her time in the field, with producers or at export points or somewhere in the marketing channel in between. If possible, USAID/Uganda intends that this function will be sponsored by a membership association representing much or all of the Uganda export industry. If necessary, the advisor will be located in EPADU, but will spend a relatively small proportion of time in EPADU offices. Other important tasks include contacting brokers and agents, seeking export markets for Ugandan products, preparing scopes of work for specialized technical consultancies, and assisting in locating well-qualified technical experts to perform them. The budget will include limited resources for sample shipments of Ugandan commodities to evaluate market potential. This advisor will also address expanded participation by small farmers and women in Uganda's export sector.

Short-Term Technical Assistance. This amendment provides funds for an additional estimated 20 person-months of short-term technical assistance which will be used for (a) specialized analytic consultancies addressing policy and regulatory constraints to growth of exports and export-related investments, and (b) specialized technical consultancies addressing post-harvest handling and marketing constraints. The types of short-term assistance envisioned include:

- Assist the Government of Uganda to establish uniform grades, quality control standards, and weights for Ugandan export commodities;
- Assist exporters with the organization of a membership association to promulgate uniform grades, quality control standards, and weights to improve the reputation of Ugandan exports in world markets;
- Provide assistance and training to private sector firms serving the exporters (fumigation services, cold storage, refrigeration, packaging manufacturers, transporters);
- Prepare highly trained technical personnel (university faculty, research scientists, extension specialists) with export-relevant specializations to provide consulting services to the export community;
- Provide highly specialized assistance to support the efforts of the long-term advisors in export/investment policy analysis and post-harvest handling/marketing; and
- Identify and address constraints specific to selected commodity groups, marketing channels, and producers or marketers (e.g. small farmers, women-owned firms).

Training. EPADU's training activities have been well-received, and should be expanded in terms of topics addressed and locations presented. The training activities should also be tailored increasingly to specific policy, regulatory and technical issues. This amendment provides for 4-6 workshops each year for in-country training of this type. Many of the short-term consultancies discussed above will also serve an important training function; however, in selected instances (e.g., to observe crop inspection procedures and computerized brokering operations), it will be more efficient to provide for off-shore training. Accordingly, this amendment provides modest funding for off-shore training in selected export support functions. The special requirements of women (as producers and as export-oriented entrepreneurs) and the participation of current and potential small-scale producers of export crops will receive attention in these training activities.

2. Special Activities

Modest funds will be made available (approximately \$120,000 total) for special activities needed to follow through on promising areas of EPADU involvement. This may include further support for the on-going Operational Constraints Analysis Program (jointly funded with the Africa Project Development Facility), small buy-ins to appropriate A.I.D. centrally-funded projects in support of medium-term analytic objectives not amenable to

short-term consultancies, or medium-term research projects with Ugandan institutions such as Makerere University, the Chamber of Commerce, and other appropriate private and non-governmental organizations. An indicative budget for special activities of this kind is included in Annex VI (PP Supplement Budget).

3. Commodities

This amendment provides for commodities required to support the long-term technical advisors and the EPADU training program. An illustrative list includes:

- Two vehicles (one for each long-term advisor);
- One computer with printer and software (to augment the single desktop machine already provided);
- Two sets of office equipment (one for each long-term advisor, consisting of desk, chairs, filing cabinet, and other small items); and
- Expendable supplies used in office work and training activities.

These and other commodities that may be procured are all additional commodities, not previously planned, and are required for support of the technical assistance and training planned under this PP Supplement.

II. FINANCIAL PLAN

A. Overall Budget

USAID/Uganda's ANEPP program consists of non-project and project components, both of which have been amended as shown below.

<u>Non-Project Assistance</u>	<u>Project Assistance</u>
1988: \$12.5 million CIP (TA)	1988: \$1.5 million project
<u>1990: \$20.0 million Cash Grant (TA)</u>	<u>1990: \$1.5 million amend 1</u>
Total: \$32.5 million	Total: \$3.0 million

This amendment to the ANEPP project component will provide \$2.5 million in additional funding from A.I.D., bringing the total ANEPP project LOP to \$5.5 million. The LOP for ANEPP project and non-project activities taken together will total \$38 million. The Government of Uganda contribution to the ANEPP program consists of the \$20 million local currency equivalent provided within the context of the 1990 cash grant.

B. Project Components and Methods of Financing

<u>Item</u>	<u>Implementation Method</u>	<u>Method of Payment</u>
TA/Training	AID Contract/Grant	AID Direct
Commodities	AID Contract	AID Direct
Special Activities		
1. Buy-Ins	AID Contract	AID Direct
2. Others	AID Contract/Grant	AID Direct
Audit	AID Contract	AID Direct

C. A.I.D. Contribution - Orig & Amend Budgets (U.S. \$000)

<u>Item</u>	<u>Original</u>	<u>Amend. No. 1</u>	<u>Amend. No. 2</u>	<u>Total</u>
TA/Training	1250	1350	2350	4950
Commodities	250	50	100	400
Evaluation	0	100	0	100
Audit	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>
Total	1500	1500	2500	5500

D. Summary Budgets for Project Components (This Amendment)

<u>Item</u>	<u>Amount (U.S. \$000)</u>
TA/Training	2,073
Support Commodities	86
Special Activities	120
Audit	51
Inflation/Contingency	<u>170</u>
Total	2,500

III. IMPLEMENTATION PLAN

A. Technical Assistance Procurement

Most of the long and short-term technical assistance related to export and investment policy analysis will be secured through a buy-in to an A.I.D. centrally-funded project (e.g., Implementing Policy Change, Consulting Assistance on Economic Reform). The buy-in mechanism will provide (a) quick access to short-term TA within the next few months, (b) access to a well-qualified pool of candidates for the long-term advisor position, and (c) a relatively less management-intensive source of short-term TA during the course of project implementation. The buy-in contract will provide for approximately 24 person-months of long-term TA,

a portion of the short-term TA specified, and will include funds for training in export/investment policy analysis and related concerns.

Because of the hands-on nature of the post-harvest handling/marketing advisor position, and the premium placed on experience with production in and marketing from Africa to developed-country markets, USAID/Uganda plans to secure these services through an institutional contract, following a direct solicitation to be advertised in appropriate U.S. and international media. This institutional contract will also provide for short-term TA as a means of easing the management burden on USAID/Uganda associated with procuring short-term technical services. This institutional contract will provide for approximately 24 person-months of long-term TA, a portion of the short-term TA specified, and will include funds for training in post-harvest handling/marketing issues and related concerns.

B. Training

To the extent possible, long and short-term technical assistance personnel will be used to provide in-country training. The emphasis will be on strengthening private sector skills and preparing public sector employees to establish service-related firms to support expansion of the export sector. A limited allowance for off-shore training and representation at key conferences, workshops, and seminars will be included as well. As noted above, these training resources will be included in the buy-in (export and investment policy analysis) and the institutional contract (post-harvest handling/marketing).

C. Commodity Procurement

The limited commodity procurement planned is in direct support of the planned technical assistance. Besides providing for vehicles and essential office equipment/supplies, there is some provision for replacement of expended equipment in accordance with standard A.I.D. procedures. All commodities will be procured and utilized in accordance with standard A.I.D. procurement and record-keeping procedures as established by USAID/Uganda.

D. Anticipated Source/Origin of Project Inputs

TA in Export/Investment Analysis:	Code 935
TA in Post-Harvest Handling/Marketing:	Code 935
Short-Term TA:	Code 935
Commodities:	Code 935

E. Project Assistance Completion Date (PACD)

The PACD for this project is extended to July 31, 1994, to provide adequate time (a minimum of 24 months) for the long-term advisors to perform the work required.

F. Evaluation and Audit

The ANEPP program has been evaluated twice (in July 1990 and August 1991). These evaluations provided valuable information on program performance and impact which has been taken into account in preparing this Project Paper Supplement. The first ANEPP project amendment provided US \$100,000 for an evaluation to take place in August, 1992. That evaluation will now take place in June, 1993, that is, approximately 12 months after the arrival of the two long-term technical advisors. At that time, the Mission or Regional Environmental Officer will perform an environmental review as part of the evaluation. This ANEPP project amendment (No. 2) provides a further US \$50,000 for a non-federal audit to take place during FY1992.

G. Covenant

EPADU, with primarily A.I.D. financing, has established itself as an institution valuable both to the government and to the private sector export industry. At this point it is appropriate to consider what EPADU's long-term program strategy should be, as well as what complementary sources of funding will be necessary and appropriate over the longer term. Accordingly, USAID/Uganda will include as a covenant the requirement that EPADU agree to prepare, within 12 months, a Five-Year Program Strategy, together with a Financing Plan, that outlines the structure of EPADU and future financial support from exporters, export-related membership associations, fee-for-service procedures, and government sources as appropriate.

H. Implementation Schedule

<u>Action</u>	<u>Date</u>
Amendment authorized	September, 1991
Grant Agreement Amendment signed	September, 1991
PIO/T for buy-in approved	October, 1991
RFP for institutional contract approved	November, 1991
Solicitation for institutional contract	December, 1991
Buy-in work initiated	January, 1992
Review of proposals	January, 1992
Negotiation (institutional contract)	February, 1992
Award institutional contract	March, 1992
Long-Term advisors arrive	May, 1992
Audit	June, 1992
Evaluation	June, 1993
In-House final evaluation	June, 1994
Project completed	July, 1994

RLA Clearance provided subject to indicated edits and replacement of all sections with Sections III, IV and V of the PP Supplement.