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Norman L. Olsen
Program Officer
September 4, 1991

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PROGRAM:

SECTOR GRANT AGREEMENT

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

And The

UNITED STATES OF AMERICA

For

ACTION PROGRAM FOR THE ENVIRONMENT

Dated: August 20, 1991

A.I.D. Program Number 617-0123 (PAAD 617-T-602)

**Item 1. Appropriation Symbol: 72-110/11014
Budget Plan Code: GSSO-91-31617-KG39
Obligation Amount: \$2,000,000
Reservation Control Number: U912057**

**Item 2. Appropriation Symbol: 72-111/21014
Budget Plan Code: GSS1-91-31617-KG39
Obligation Amount: \$1,000,000
Reservation Control Number: U912058**

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A.I.D. Program Number 617-0123

SECTOR PROGRAM GRANT AGREEMENT

For

ACTION PROGRAM FOR THE ENVIRONMENT

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA ("Grantee")

and

THE UNITED STATES OF AMERICA,

acting through

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

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above (the "Parties") with respect to the undertaking by the Grantee of the Program Grant (the "Program") described below, and to the financing of the Program by the Parties.

Article 2: The Program

SECTION 2.1 Definition of the Program

(a) The Program, which is further described in ANNEX 1, attached hereto, will consist of assistance to the Grantee, in the form of cash disbursements, to support policy reforms and initiatives which will assist Uganda's public and private sector to

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more effectively and sustainably manage its natural resources base in selected areas. The Program focuses upon the development of a National Environmental Action Plan by the Grantee and the elevation of certain park and forest areas as protected areas.

ANNEX 1, attached, amplifies the above definition of the Program. Within the limits of the above definition of the Program, elements of the Program Description stated in ANNEX 1 may be changed by written agreement of the authorized representatives of the Parties named in SECTION 8.7 of this Agreement without formal amendment of this Agreement.

(b) The Program represents one part of the total Action Program for the Environment (the "Total APE"); the other component involves particular project activities (the "Project"), which are set forth under the terms and conditions of a separate Agreement (Project Number 617-0124) (the "Project Agreement"), which is hereby incorporated by reference herein. It is anticipated that A.I.D.'s overall contribution to the Total APE over the life of the Program/Project will be Thirty Million United States ("U.S.") Dollars (\$30,000,000) of which ten million will be provided for the Program, as more specifically described below, and twenty million will be provided under the Project, as described in and pursuant to the terms of the Project Agreement.

SECTION 2.2 Incremental Nature of the Program

(a) A.I.D.'s contribution to the Program will be provided in increments, the initial increment being made available in accordance with SECTION 4.1 of this Agreement. Each increment subsequent to that provided in SECTION 4.1, however, will be subject to availability of funds to A.I.D. and authorization by A.I.D. for such purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Before the terminal date for requests for disbursement stated in SECTION 6.3 of this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Program Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1 The Dollar Grant

To support and assist the Grantee in carrying out the Program by financing the foreign exchange costs necessary to help the Grantee overcome shorter term constraints to its long-term economic

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development, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee, under the terms and conditions of this Agreement and, in particular, Article 4 below, a total amount not to exceed Ten Million U.S. Dollars (\$10,000,000) (the "Dollar Grant") as part of a planned multi-year program, of which Three Million U.S. Dollars (\$3,000,000) shall represent the initial increment, and the remaining Seven Million U.S. Dollars shall be subject to the availability of funds to A.I.D. and authorization by A.I.D. for such purpose, and to the mutual agreement of the Parties, at the time of the subsequent increments.

SECTION 3.2 Grantee Resources for the Total APE

The Grantee agrees to provide or cause to be provided for the Total APE (i) local currency counterpart funds in an amount not less than the equivalent of Ten Million U.S. Dollars (\$10,000,000), and (ii) an additional contribution in an amount not less than the equivalent of Nine Hundred Ninety-Five Thousand U.S. Dollars (\$995,000), including costs borne on an "in-kind" basis, to carry out the Total APE in an effective and timely manner, which shall be in addition to the Dollar Grant, A.I.D.'s grant under the Project Agreement, and contributions by non-governmental organizations which are estimated to be in an amount equivalent to \$2,315,000.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1 Condition Precedent to First Disbursement

Prior to the first disbursement of funds under the Dollar Grant for the National Environmental Action Plan as more specifically described in ANNEX 1 (Program Description) of this Agreement, which shall be in the amount of Three Million U.S. Dollars (\$3,000,000), subject to the availability of funds, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in SECTION 8.7 of this Agreement, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) Documentation confirming that the Grantee has established a separate, non-commingled, interest-bearing account in a United States bank, and specifying the number of the account in such bank, into which disbursements of U.S. dollars, in accordance with SECTION 6.1 of this Agreement, are to be made.

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(c) Documentation confirming that the Grantee has established a separate, non-commingled account at the Bank of Uganda, and specifying the number of the account in such bank, into which local currency counterpart funds shall be deposited in accordance with SECTION 6.2 of this Agreement.

(d) An opinion of legal counsel

(i) that this Agreement has been duly authorized and executed on behalf of the Grantee and that it constitutes a valid, legally binding obligation of the Grantee in accordance with all of its terms;

(ii) that the Government of Uganda (the "GOU") has appointed a policy level Steering Committee as a cabinet subcommittee which is chaired by the Rt. Hon. Prime Minister with the Hon. Minister of Energy, Minerals and Environment Protection as its Secretary, and with additional members from certain ministries, as more specifically described in ANNEX 1 (Program Description) to this Agreement; and

(iii) that such policy level Steering Committee has appointed a NEAP Coordinator, and that a National Environment Action Plan Secretariat, a staff for such Secretariat, task forces and an Advisory Committee have been formed in accordance with the procedures explained in ANNEX 1 (Program Description) to this Agreement.

SECTION 4.2 Conditions Precedent to Additional Disbursements

(a) Prior to the second disbursement of funds under the Dollar Grant for Protected Areas, as more specifically described in ANNEX 1 (Program Description), which shall be in the amount of Five Million U.S. Dollars (\$5,000,000), or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.,

(i) an opinion of legal counsel that the Bwindi and Rwenzori Forest Reserves have been designated as National Parks and that the conservation status of the Kibale, Semliki, and Mount Elgon Forest Reserves has been elevated in accordance with the criteria and covenants as described in ANNEX 1 (Program Description);

(ii) a plan from the Ministry of Tourism, Wildlife and Antiquities, on how and when it will open park concessions, including tourist accommodations, to private sector

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management, including local community involvement, in form and substance satisfactory to A.I.D.;

(b) Prior to the third disbursement of funds under the Dollar Grant for the National Environmental Action Plan, which shall be in the amount of Two Million U. S. Dollars (\$2,000,000), or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing:

(i) have completed and submitted a copy to A.I.D. of the National Environmental Action Plan, in accordance with the requirements as described in ANNEX 1 (Program Description) to this Agreement and in form and substance satisfactory to A.I.D.; and

(ii) furnish to A.I.D., in form and substance satisfactory to A.I.D., an opinion of legal counsel that the GOU has formally adopted the National Environmental Action Plan as its official plan..

SECTION 4.3 Notification

When A.I.D. has determined that the conditions precedent specified in SECTIONS 4.1 and 4.2 have been met, it will promptly so notify the Grantee in accordance with the provisions of SECTION 8.8.

SECTION 4.4 Terminal Date for Conditions Precedent

If all of the conditions specified in SECTION 4.1 have not been met within one hundred and eighty (180) days from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

If all of the conditions specified in SECTION 4.2 have not been met within five (5) years from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Dollar Grant, and may terminate this Agreement by written notice to the Grantee.

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Article 5: Covenants

SECTION 5.1 General Actions

The Grantee will not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent or covenant herein, except as A.I.D. may otherwise agree in writing.

SECTION 5.2 Local Currency Counterpart Deposits

The GOU will deposit, in accordance with the terms of, and for the purposes described in, SECTION 6.2 of this Agreement, local currency counterpart funds in an amount equivalent to the amount of local currency generated by each incremental disbursement of the Dollar Grant received pursuant to SECTION 4.1 or 4.2 of this Agreement, whichever is applicable, within 180 days of receipt of each such disbursement. For purposes of this Agreement, the amount of local currency generated shall be the local currency equivalent of each of the dollar disbursement amounts on the date of each such dollar disbursement. Deposits of local currency required under this Agreement shall be calculated at the current official exchange rate of Uganda Shillings to U.S. Dollars as of the date of each such disbursement by A.I.D. This is subject to conditions existing in the Grantors present waiver permitting a rate other than the highest exchange rate per U.S. Dollar which is not unlawful (this is more specifically described in ANNEX 2).

SECTION 5.3 Program Evaluation

The Grantee will cooperate with A.I.D. in establishing an evaluation program as part of the Program. Except as the Parties may otherwise agree in writing, the evaluation program will include, during the implementation of the Program and at one or more points thereafter:

- (a) evaluation of progress toward attainment of the objectives of the Program;
- (b) evaluation of the impact of the Program on objectives and review of covenants and conditions;
- (c) evaluation, to the degree feasible, of the overall development impact of the Program.

SECTION 5.4 Involvement of Private Sector Entities

After the Ministry of Tourism, Wildlife and Antiquities (the "MTWA"), has developed a plan on how and when it will open national

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parcs to private sector involvement in park concession management, the MTWA will enter into agreements or letters of understanding with private sector entities describing how those entities will assist in the marketing and management of park concessions and lodging accommodations.

Article 6: Disbursement

SECTION 6.1 Dollar Grant Account

(a) The Grantee will deposit each disbursement of the Dollar Grant received pursuant to SECTION 4.1 or SECTION 4.2 of this Agreement, whichever is applicable, into a separate, non-commingled, interest-bearing account (the "Separate Dollar Account") at a commercial bank in the United States. The principal of, and all interest earned on, the amounts deposited into the Separate Dollar Account shall be used only for the purpose of (i) the importation of petroleum from countries included in A.I.D. Geographic Code [899] (in conformity with the policies of the GOU); or (ii) such other uses as the Parties may agree to in writing.

(b) The Grantee will expend funds from the Separate Dollar Account only for the foregoing purposes. Funds deposited in the Separate Dollar Account may not be used for financing military, paramilitary, or law enforcement requirements of any kind, or other goods or services that A.I.D. would be prohibited by United States law from financing with A.I.D. funds. Funds deposited into the Separate Dollar Account may also not be used to service loans or credits that originally financed military, paramilitary or law enforcement requirements. Any interest earned on funds deposited into the Separate Dollar Account shall be programmed and used as if it were principal.

(c) If any disbursements of the Dollar Grant are utilized by the Grantee for purposes not permitted under the terms of this Agreement, the Grantee shall redeposit, within sixty (60) days after receiving notice from A.I.D. of such impermissible utilization, an equivalent amount of dollars in the Separate Dollar Account. The right to request such a redeposit shall continue for three (3) years from the date of the last disbursement from the Separate Dollar Account.

SECTION 6.2 Local Currency

(a) The Grantee will deposit all of the local currency generated as provided in SECTION 5.2 of this Agreement and pursuant to Condition Precedent Section 4.1 (c), into a separate, non-commingled account at the Bank of Uganda (the "Separate Local Currency Account") to be used primarily for the purpose of local

currency counterpart requirements of the Project, as well as the administrative requirements of A.I.D., as will be more specifically set forth in the Project Agreement and subsequent Project or Program Implementation Letters.

(b) Local currency in the Separate Local Currency Account shall not be used, in whole or in part, to finance military, paramilitary or law enforcement requirements of any kind, including the procurement of commodities and/or services for these purposes, or other goods or services that A.I.D. would be prohibited by United States law from financing with A.I.D. funds.

(c) If A.I.D. determines that any disbursement from the Separate Local Currency Account is not supported by valid documentation in accordance with this Agreement, or is in violation of United States law, or is not made or used in accordance with the terms of this Agreement, A.I.D. may require the Grantee to redeposit into said account the amount of such disbursement within sixty (60) days after receipt of A.I.D.'s request therefore. Such redeposits shall be used for purposes specified above. The right to request such a redeposit shall continue for three (3) years from the date of the last disbursement from the separate local currency account.

SECTION 6.3 Terminal Date for Requests for Disbursement

The terminal date for requests for disbursement of sector dollar funds pursuant to SECTION 6.1 of this Agreement shall be August 20, 1996, except as A.I.D. may otherwise agree in writing.

Article 7: Managing Separate Accounts, Records, Reports, Inspections and Audits

SECTION 7.1 Responsibility for Managing the Accounts

The Ministry of Finance of the GOU ("MOF") shall be responsible for managing both the Separate Dollar Account and the Separate Local Currency Account (hereinafter collectively referred to as the "Separate Accounts"), including monitoring and reporting on the receipt and use of funds from the Separate Accounts, and as may be more specifically set forth in a Program Implementation Letter.

SECTION 7.2 Maintenance of Records

The Grantee shall maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records and underlying documentation relating to this Agreement and, in

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particular, the Separate Accounts, as are necessary to show adequately, without limitation, compliance with this Agreement, including, without limitation, the policy reforms undertaken and the receipt and use of funds from the Separate Accounts in accordance with their respective terms under this Agreement. Such books and records will be audited regularly in accordance with generally accepted auditing standards, and shall be maintained for three (3) years after the date of the last disbursement from the Special Accounts.

SECTION 7.3 Reporting

The MOF will provide, at a minimum, quarterly reports as to disbursements into and out of the Separate Accounts, quarterly bank statements, and such other information and reports relating to this Agreement and, in particular, activities financed with funds from the Separate Accounts and the performance of the Grantee's obligations with respect to each, as A.I.D. may reasonably request or as is specified in a Program Implementation Letter. These reports will contain such information and include such supporting documentation as may be required by A.I.D.

SECTION 7.4 Inspections and Audits

The Grantee will afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the books, records and other documents maintained by the Grantee relating to this Agreement, including without limitation, the policy reforms undertaken and disbursements into and out of the Separate Accounts, and to inspect the activities financed under the Separate Accounts. Specific responsibilities of the Grantee with respect to auditing of the Separate Accounts will be set forth in a Program Implementation Letter. Notwithstanding such responsibilities, A.I.D. reserves its rights with respect to auditing such records, activities, documents or the like, which will not be infringed by arrangements for audits by the Grantee or outside auditors.

Article 8 Miscellaneous

SECTION 8.1 Program Implementation Letters

To assist the Grantee in the implementation of the Program, A.I.D., from time to time will issue Program Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly-agreed-upon Program Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program Implementation Letters will not be used to amend the text of this Agreement, but can be used to record revisions or

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exceptions which are permitted by the Agreement, including the revision of elements of the Program Description of the Program in ANNEX 1.

SECTION 8.2 Consultation

The Parties will cooperate to assure that the purposes of this Agreement will be accomplished. To this end the Parties, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, and other matters relating to the Program.

SECTION 8.3 Completeness of Information

The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Dollar Grant, are accurate and complete and include all facts and circumstances that might materially affect the Program and the discharge of responsibilities under this Agreement; and

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Program or the discharge of responsibilities under this Agreement.

SECTION 8.4 Taxation

This Agreement and the Dollar Grant will be free from any taxation or fees imposed under laws in effect in Uganda, or which may become effective during the term of this Agreement.

SECTION 8.5 Publicity

The Grantee will give appropriate publicity to this Dollar Grant and the Program and activities carried out hereunder as a program to which the United States has contributed. Representatives of the Grantee and A.I.D. will confer from time to time to make specific arrangements for such publicity.

SECTION 8.6 Suspension and Termination

(a) A.I.D. may suspend disbursement under the Dollar Grant upon written notice to the Grantee.

(b) A.I.D. may cancel any disbursement under the Dollar Grant upon written notice to the Grantee, if at any time: (1) the Grantee shall fail to comply with any provision of this Agreement; (2) an

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event occurs that A.I.D. determines to be an exceptional situation that makes it impossible either to attain the purpose of the Dollar Grant or for the Grantee to perform its obligations under this agreement; or (3) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D..

(c) Either Party may terminate this Agreement by giving the other Party thirty (30) days' written notice. Termination of this Agreement shall terminate any obligations of the Parties to provide financial or other resources pursuant to this Agreement.

(d) Notwithstanding any suspension or termination, the provisions of this Agreement shall continue in full force and effect with respect to any portion of the Dollar Grant provided prior to or notwithstanding such suspension or termination.

SECTION 8.7 Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the office of the Minister of Finance and A.I.D. will be represented by the individual holding or acting in the Office of the A.I.D. Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under SECTION 2.1 to revise elements of the Program Description in ANNEX 1. The names of the representatives of the Grantee, with specimen signatures, will be provided by A.I.D., which may accept as duly authorized any instrument signed by such representatives to implement this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.8 Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee: Minister of Finance

Mail Address: P.O. Box 8147
Kampala, Uganda

To A.I.D.: Mission Director

Mail Address: USAID Mission
P.O. Box 7007
Kampala, Uganda

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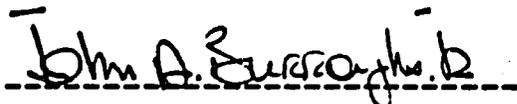
SECTION 8.9 Language of Agreement

This Agreement is prepared in English, which is the legally binding language for this Program.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

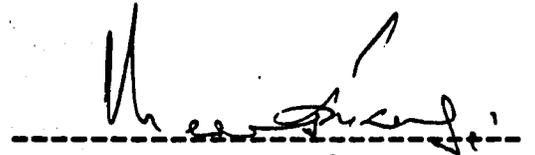
Done at Kampala, Uganda; in duplicate, this 20th day of August, 1991.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

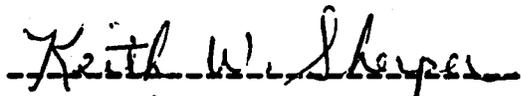


John A. Burroughs, Jr.
AMBASSADOR
AMERICAN EMBASSY, UGANDA

FOR THE GOVERNMENT OF THE
REPUBLIC OF UGANDA



Hon. J.S. Mayanja-Nkangi
THE MINISTER OF PLANNING
AND ECONOMIC DEVELOPMENT
For and on behalf of
THE MINISTER OF FINANCE



Keith W. Sherper
MISSION DIRECTOR
U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT, UGANDA

PROGRAM DESCRIPTION

A. Goal Statement

The goal of the Uganda Action Program for the Environment (APE) is sustainable improvement in the standard of living. A viable natural resource base is essential to this goal. The program subgoal is the sustained productivity of Uganda's natural resource base and maintenance of its biodiversity.

B. Purpose

The purpose of APE is to assist Uganda's public and private sectors to more effectively and sustainably manage its natural resources base in selected areas. The Government of Uganda (GOU) will fulfill the Conditions Precedent to Disbursement by completing a National Environmental Action Plan, elevating the conservation status of selected forest reserves, and strengthening its institutions responsible for managing natural resources.

C. National Environmental Action Plan (NEAP)

The environmental action planning process is intended to provide a framework for integrating environmental concerns into Uganda's overall economic and social development. The NEAP will identify and analyze major environmental problems, and develop a comprehensive national strategy. The NEAP will recommend: legislative, policy and institutional reforms; corrective environmental measures for current and future projects; and development programs related to natural resource management.

The NEAP is led by a Steering Committee formed from the highest levels of decision making in the government. The Steering Committee is assisted by the NEAP Secretariat which is a small team of dedicated full-time national and international experts from both the public and private sectors. The NEAP Secretariat will be administered by a NEAP Coordinator who will be appointed by the Steering Committee. The Secretariat will be supported by a professional staff which will include a cross-section of specialists in fields related to the environment. The Secretariat and staff will provide technical assistance to the NEAP Task Forces which are the groups responsible for collecting most of the baseline information. The following is a more detailed description of the steps related to the NEAP process.

1. Implementing Structures:

a. **NEAP Steering Committee:** This committee will be a policy level Cabinet subcommittee to be chaired by the Rt. Hon. Prime Minister with the Hon. Minister of Energy, Minerals and Environment Protection as its Secretary. Other members are to come from key sectoral ministries represented on the task forces. The membership of this committee will include:

The Rt. Hon Prime Minister: Chairman
 The Minister of Energy, Minerals and Environment
 Protection: Secretary
 The Minister of Finance
 The Minister of Agriculture, Animal Industry, and Fisheries
 The Minister of Local Government
 The Minister of Planning and Economic Development
 The Minister of Education and Sports
 The Minister of Lands, Housing, and Urban Development
 The Minister of Tourism, Wildlife and Antiquities
 The Minister of Industry and Technology
 The Minister of Justice and Constitutional Affairs/
 Attorney General
 The Minister of Women in Development, Culture, and Youth
 The Minister of Information and Broadcasting

The Steering Committee has the responsibility to provide high-level policy guidance to the entire NEAP process. It will meet at least quarterly.

b. **The NEAP Secretariat:** The Secretariat will be chaired by the Secretary for Environment Protection in the Ministry of Energy, Minerals and Environment Protection. The Secretariat will provide leadership to the task forces and oversee the NEAP Secretariat Staff. Secretariat membership will include the NEAP Coordinator, who will be appointed by the Steering Committee (Head of the Secretariat Staff), chairpersons of the task forces and three representatives from the Advisory Committee and the NEAP Technical Advisor, all of which will be described below.

The NEAP Secretariat will meet regularly, but not less than monthly. At the start of the process it will be charged with reviewing and approving the composition of each task force as well as the work to be performed. It will also receive nominations for task force chairpersons, ensure that they meet minimum selection criteria and oversee the election of the chairperson by the Permanent Secretaries of the Ministries represented on the task force. It will be responsible for developing orientation workshops for each task force. The NEAP Secretariat will coordinate the preparation of the revisions and

the final draft of the NEAP document for presentation to the Steering Committee for ultimate GOU approval and action.

c. **The NEAP Secretariat Staff:** The Staff will provide day-to-day coordination of the NEAP and will serve as resource persons to the Task Forces, assist in the coordination of Task Forces duties, provide technical assistance and training and other necessary services.

The Staff will be led by the NEAP Coordinator and will include: an information systems specialist, an environmental law and policy specialist, a sociologist with expertise in gender issues, an agronomist, a water resources specialist, an economist, a forest ecologist, a wildlife manager, an urban and industrial environmental quality specialist and an energy specialist. The NEAP Coordinator will propose the members of the task force, who will be reviewed and approved by the Secretariat.

d. **Task Forces:** The basic preparation of the NEAP will be carried out by Task Forces, each focussing on a particular major environmental issue or group of issues. The members of the Task Forces will be broadly representative of the technical expertise relevant to the subject matter. Below is a list of Task Forces to be formed.

- 1 - Task Force on Policy, Legal and Institutional Arrangements.
- 2 - Task Force on Education, Research and Human Resource Development.
- 3 - Task Force on Land Management: Agriculture, Livestock and Rangelands.
- 4 - Task Force on Wetlands, Water Resources, Fisheries and Aquatic Biodiversity.
- 5 - Task Force on Forestry, Wildlife, Tourism and Terrestrial Biodiversity.
- 6 - Task Force on Population, Health and Human Settlements.
- 7 - Task Force on Mining, Industry, Hazardous Materials and Toxic Chemicals.
- 8 - Task Force on Energy and Climate Change.

The Task Forces will gather information from groups such as: the Uganda Manufacturers Association, Chamber of Commerce, Uganda Tourism Association, Uganda Tourism Development Corporation, agricultural cooperatives and fisherman's organizations,

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community groups (farmers, herders, fishermen, loggers and traditional hunters), Resistance Councils, indigenous NGOs and local community organizations (church groups, women's groups, wildlife clubs, and farmers associations).

The Task Forces will use this information to:

- Define the priority environmental problems and issues;
- Recommend solutions to these problems and issues; and
- Review the findings and recommendations.

e. **Advisory Committee:** The Advisory Committee will consist of representatives of the donor community, NGO's and the private sector. The Advisory Committee will meet quarterly with the Secretariat to review progress of the NEAP. The Advisory Committee will be responsible for: reviewing the preliminary findings of the Task Force field trips; reviewing draft reports at the end of the field work; approval of the final Task Force reports; assuring that the Secretariat sufficiently incorporates the Task Force findings into the draft NEAP; and approving the final NEAP.

2. Responsibilities:

- a. The Advisory Committee and Secretariat will review the Task Force field work;
- b. The Advisory Committee and Secretariat will review and approve the Task Force reports;
- c. The Task Force reports, draft legislation, policy and project recommendations will be reviewed in local, regional and/or national seminars, or conferences;
- d. The Secretariat will compile a first draft of the NEAP from the work of the Task Forces;
- e. The Advisory Committee will review and approve the draft NEAP;
- f. The Steering Committee will conduct final reviews and revisions, and will present the NEAP to the Cabinet for approval;
- g. The Cabinet will forward the final documents to Parliament for debate and enactment;
- h. The GOU will take subsequent action on policies, legislation and institutions;

- i. Where appropriate, Government and donors will take actions to modify ongoing projects to meet the NEAP;
- j. The NEAP Secretariat will develop an environmental investment program of projects designed to implement new parts of the NEAP and incorporate the program within the national planning process;
- k. The GOU will define an institutional mechanism for and conduct ongoing monitoring and review of environmental conditions, as necessary, leading to revisions and updating of the NEAP and its implementation;

3. Outputs:

While the NEAP is based on a participatory process, it is also highly product-oriented. Specific outputs are likely to include:

Institutional: Recommendations will be made to redefine inter-institutional relationships to achieve greater coordination in dealing with cross-cutting environmental concerns. These will include: (1) reduced jurisdictional disputes and problems arising from overlapping mandates; (2) establishment of an effective environmental impact assessment institutional mechanism; and (3) environmental analysis capability to support the District level planning authority currently being developed under the GOU's decentralization program.

Legal and policy reform: NEAP will prioritize and prepare recommendations for legal and policy reform including revision of existing policies and formulation of completely new policies when appropriate.

Recommendations for ongoing and new projects: The NEAP process will provide the GOU with the capacity to adequately carry out environmental impact assessments of ongoing and all new project activity. Moreover, during the development of the NEAP, the Task Forces will explore the possibilities for, and outline brief descriptions of, potential projects that will help assure that the guidelines set forth in the NEAP are realized. An important distinction of this work is that the Task Forces would not be charged with identifying general development projects (that are environmentally sound) but would be seeking those activities that would deal with priority environmental problems in their sector.

4. Scopes of Work:

The following scopes of work are definitions of the work the Task Forces will carry out. They will be modified in early meetings of the Task Forces and during the course of preparing the NEAP as new information becomes available.

Each Task Force will follow a similar process for implementing their assignments including:

- Review of relevant documentation for Uganda;
- Examination of current laws, policies and institutional structures related to the sector and recommendation of policy/legal reform;
- Assessment of current projects, programs and enterprises as to their environmental impact, information and technologies that may be used for the NEAP;
- Assessment of institutional mechanisms for improving environment and natural resources management in the respective area of interest; and
- Review of technologies and interventions for environmental management in other countries.

a. Task Force on Policy, Legal, and Institutional Arrangements

i. Areas of Concern

Land use policy and regulations.

Status of laws and policies as related to the principles of sustainability.

Enforcement and implementation of environmental laws and policy.

Role of taxes, incentives, and other economic instruments in environmental conservation and sustainable use of natural resources.

Appropriateness of local approaches to conservation and resource management including local community access to resources; their use, rights, and obligations; and management of resources.

Incorporation of environmental concerns in the national/

regional/district development plans.

Capability of environmental institutions and mechanisms for coordination between agencies.

Levels of remuneration for public servants including those responsible for environment and natural resources management.

Assess and recommend improvements in inter-institutional coordination of environmental matters.

Institutional mechanisms for environmental impact assessments.

b. Task Force on Education, Research and Human Resource Development

i. Areas of Concern

Lack of environmental education in the school curricula at all levels.

Environmental awareness through mass-media.

Lack of effective coordination of environment and natural resources research and data management.

Identify indigenous knowledge and practices related to use and management of natural resources.

Training needs assessment.

c. Task Force on Land Management: Agriculture, Livestock and Rangelands

i. Areas of Concern

Declining soil quality/fertility and its main causes.

Inadequate land use planning, land/resource tenure and the attendant legislation.

Grazing and related areas of nomadism, animal population vs. land carrying capacity, grazing competition with wildlife.

Wildlife ranching.

22x

and crop storage.

Environmental hazards of swamp reclamation and use for agriculture.

Loss of agricultural germplasm.

Existing soil conservation programs and policies.

Agricultural research.

Land resource tenure policies and legislation.

Present mapping and surveying capabilities and capacities.

d. Task Force on Wetlands, Water Resources, Fisheries and Aquatic Biodiversity

i. Areas of Concern

Reduction of natural wetland vegetation (e.g., papyrus) for farming and grazing.

Population settlement on wetlands.

Availability and quality of hydro-meteorological and hydro-geological data.

Watershed protection and management programs including prevention and control of siltation.

Overgrowth of water weeds (hyacinth) in watercourses and lakes especially Lakes Kyoga and Victoria.

Lack of mechanisms for resolving multiple demands on use of water by livestock, irrigated agriculture, fisheries and hydropower.

Environmental impact of freshwater fisheries (e.g., over-fishing, exotic species introduction, loss of aquatic biodiversity, and fishing within National Parks).

Environmental impact of lake regulation, dams, and irrigation systems as well as pollution from agricultural, urban, industrial, and transport development.

Lack of trained water resource technicians.

Current wetland and water legislation and water use policies.

Management of water resources for multi-purpose use -
National Water resources development plan.

Water demand studies and forecasts.

Inventory of wetlands.

Public awareness of wetland resources.

Water research needs.

e. Task Force on Forestry, Wildlife, Tourism and Terrestrial Biodiversity

i. Areas of Concern

Loss of biodiversity.

Rate of deforestation and its impact on economy.

Coordination between management bodies for each of Uganda's protected areas.

Inadequate funding and training for protected areas.

Availability of firewood and timber sources outside existing reserves.

Management practices of existing exotic forest plantations.

Tree tenure rights and reforestation.

Timber pricing policy.

Building codes/standards and their impact on forest use.

Uncoordinated ecological research.

Development of a National Tourism Plan.

Development of a National Research Plan.

Baseline biological inventory.

Analysis of investment codes/licensing and approval process on nature tourism and private sector involvement.

Finding ways to equitably address community demands without diminishing the sustainable productivity of the resource.

Assessment of development of policies in agriculture and in

other sectors affecting forest wildlife lands.

Law enforcement practices within and outside protected areas.

Curriculum for forestry/wildlife education and training at all levels of education.

f. Task Force on Population, Health and Human Settlements

i. Areas of Concern

Family planning and the demography of Uganda.

Integration of population issues in national development policies and planning.

Incidence of water borne diseases.

Lack of potable water in rural areas and urban centers and reliability of sources.

Human settlement policies and strategies.

Planning and building legislation.

Refuse disposal technologies.

Demographic and land distribution data.

g. Task Force on Mining, Industry, Hazardous Materials and Toxic Chemicals

i. Areas of Concern

Industries and areas of most critical environmental impact.

Pollution standards, permissible levels of toxic waste in water, air and soil.

Monitoring and enforcement capacity within government agencies.

Environmental impact assessment requirements, standards and practices.

D. Protected Areas

Non-project assistance will be conditioned on the elevation of the conservation status of the Bwindi and Rwenzori Forest Reserves to National Parks. It is also conditioned on managing the Kibale, Semliki, and Mt Elgon Forest Reserves, using the following criteria:

- i) A separate Management Committee with broad based representation will govern each of the selected forest reserves.
- ii) The Minister of the relevant institution will appoint the Management Committee to include, among others, the Commissioner of Forestry, the Commissioner of Game, and the Director of UNP.
- iii) The Management Committee will establish the conservation of biodiversity as the primary management objective. The Committee will also determine in consultation with relevant scientific expertise, the degree and kind of all forms of exploitation. This may include tourism and taking of minor forest products for local consumption.
- iv) Unless otherwise stated by the Management Committee in consultation with relevant scientific expertise, extraction of timber will not be permitted.
- v) All tourism activities must be environmentally sound and compatible with the long-term preservation of the forest's biodiversity.
- vi) The management at the forest level will retain a proportion of revenues generated from commercial activities. A proportion of revenues/benefits from tourist/harvesting activities will be equitably distributed to male and female members of surrounding communities.
- vii) Where applicable, the Game Department will share, on an equal basis, the protection and management activities. Members of the Game Department and Forest Department will answer to the Management Committee.
- viii) There will be an advisory committee of local authorities (RC's) to register their participation.

E. Institutional Reform

The GOU has recently reorganized the ministries responsible for natural resource management. In general, the

former ministries responsible for Uganda's natural resources, MEP and MTW, have made great efforts to broaden their mandates with regards to the conservation of Uganda's natural heritage. This is best evidenced through the changes which have taken place in the MEP which has essentially combined three ministries into one; becoming the Ministry of Energy, Minerals and Environment Protection. The Ministry of Tourism and Wildlife has been expanded to include the Department of Antiquities. It is now the Ministry of Tourism, Wildlife and Antiquities. Non-project assistance had been conditioned on ministerial reform in the natural resource sector. This had involved placing related departments in the same ministry which has been accomplished in the above examples. The new ministries, however, will require additional support to assist them with their broader mandates and expanded responsibilities.

F. Monitoring and Evaluation Plan Summary

APE will support the monitoring and evaluation (M&E) of the two components. The emphasis, as mandated under the Development Fund for Africa (DFA), will be in monitoring impacts at the people level (including farmers, rural households, and vulnerable groups). Rather than emphasizing the evaluation of the provision of inputs and funding obligations, M&E under DFA-funded programs must be more comprehensive. For that reason, APE will provide considerable resources to ensure that sufficient data collection and analysis is undertaken during the life of the Program, and that results of this analysis directly feed back to implementation.

In addition to the monitoring required to track program impacts of APE activities per se, the Program will assist in the establishment of a monitoring and evaluation mechanism, through the NICE to ensure the continued long-term monitoring of impacts on the environment. This will provide the needed analytic foundation required to justify possible future large-scale interventions in the sector by A.I.D. and other donors.

APE will have two external evaluations; first, a midterm evaluation and then a final evaluation.

1. Dollar Use and Tracking

Following the signing of this agreement and the GOU's presentation of evidence that it has met the conditions precedent to the disbursement of the first tranche, USAID will notify the GOU that the conditionality has been met and request disbursement from the U.S. Treasury. Subject to the availability of funds, the U.S. Treasury will transfer the first \$3.0 million tranche to the Federal Reserve Bank of New York with instructions to transfer it into a special account in the BOU's correspondent bank (Citibank). This will be a special account with a single payor (Federal Reserve Bank of New York) established for the sole purpose of receiving the funds authorized by the agreement.

For the first tranche, upon confirmation of credit of the deposit at Citibank, the BOU will advise the petroleum companies and their commercial banks of the availability of FX and confirm its reservation against outstanding, approved proformas. The commercial banks will then confirm to the BOU the availability of sufficient local cover, through the submission of Form "E", the BOU's FX application. The BOU will process the approved petroleum company (ies)'s application for FX. Upon notification from the BOU that the FX purchase has been effected, the commercial bank will open a Letter of Credit (L/C).

Simultaneously the BOU will reduce the commercial bank's account by the Uganda Shilling equivalent (local cover) of the foreign exchange (and the commercial bank will reduce the petroleum company's account by the same amount) and deposit these shillings into a special APE account established in the BOU's Development Finance Department.

The BOU will either provide importers with the special account number and authorize direct disbursement from the special account to the importers, upon presentation of an executed L/C, or treat it as a routine commercial transaction completed between the BOU and commercial banks following which BOU will replenish its commercial FX account from the special account subsequent to authorized drawdowns.

In addition, USAID will establish, through an Implementation Letter, criteria for the application of the available FX. This Implementation Letter will specify program guidelines and make allowance for post-audit disallowances in the case of deviance from those guidelines.

ANNEX 2

The BOU will document every withdrawal from the special account and track and advise USAID on their movements through to their final disbursement. USAID has reviewed the GOU proposed system for disbursement of the first tranche and found it adequate. The system basically entails direct disbursements to the private importers out to the special account to be established at BOU's correspondent bank in New York (Citibank).

An annual review of the account will be conducted by the Mission. Given past positive experience with the BOU, the Mission does not feel that a full audit is warranted on an annual basis. However, the Mission will reserve the right to conduct non-Federal audits of the account.

2. Local Currency Counterpart

The Ministry of Finance will have oversight for disbursement, accounting, control functions, and assessment, including audit and reporting to USAID, concerning local currency generation. Any other activities in relation to local currency generations which are not specifically assigned to other Government of Uganda institutions will also be carried out by the Ministry of Finance. Following the BOU's transfer of FX to the commercial bank's account, the local currency proceeds of this sale will be deposited into a special account. The schedule of deposits is subject to agreement between USAID and the GOU. The Bank of Uganda will submit monthly statements on the special account to USAID and the Ministry of Planning and Economic Development who will mutually program the use of these local currency generations.

A number of GOU institutions and programs central to accomplishing APE objectives are candidate recipients of separate account local currency. These are the Ministry of Energy, Minerals and Environment Protection, Ministry of Tourism, Wildlife and Antiquities and Uganda National Parks. A description of the programming uses of this local currency is found in SECTIONS 5.3 through 5.7 of the Project Grant Agreement. Local currency will be disbursed from the special account at the Bank of Uganda directly to the ministries and institutions which are responsible for relevant program activities to be included in the specific sector line items of their respective budgets with reference to agreed upon activities.

The Grant Management Unit, and the technical assistance contractor will set up a special account in a commercial bank for receipt of disbursements for relevant program activities and approved subgrant activities. Procedures for this will be set forth in a project implementation letter pursuant to AID requirements. The Ministry of Finance will be responsible for

the disbursement of funds into these accounts for the implementation of programmed activities.

On at least an annual basis, the Mission will review program performance to determine whether continued allocations of separate account funds are warranted and overall program purposes are being met. Periodic audits of local currency uses, and GOU reports on supported programs, will be stipulated in Implementation Letters.

The Grant Agreement will require the GOU to deposit the local currency counterpart equivalent to the amount of each sector dollar grant received from APE within 180 days upon receipt of each such dollar grant. The amount of local currency shall be calculated at the official legal exchange rate for any person for any purpose in Uganda on the date of the sector grant disbursement by A.I.D. This is subject to the conditions existing in the Grantor's present waiver permitting a rate other than the highest exchange rate per U.S. Dollar which is not unlawful.

The GMU will require the subgrantees and other assorted recipients to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the special account. A.I.D. will reserve the right to inspect these books and records at all times. The books and records will be maintained for three years after the last disbursement by A.I.D. under the Grant.

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT

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

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