

A.I.D. Project Number 617-0125

PROJECT GRANT AGREEMENT

For the

INVESTMENT IN DEVELOPING EXPORT AGRICULTURE

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

and

THE UNITED STATES OF AMERICA,

acting through

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

Date: September 28, 1993



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A.I.D. Project Number 617-0125

PROJECT GRANT AGREEMENT

For the

INVESTMENT IN DEVELOPING EXPORT AGRICULTURE ("IDEA")

Between

THE GOVERNMENT OF THE REPUBLIC OF UGANDA

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 ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE 2: The Project

SECTION 2.1. Definition of the Project.

The Project will finance technical assistance, training, research, commodities and other export development services for exporters, producers, associations and related service firms and institutions such as Makerere University and the National Agricultural Research Organization to increase the production and marketing of selected low value and high value non-traditional agricultural exports. The low value export component will include applied research, seed multiplication and distribution and extension to increase yields and improvements in market information and assistance to commodity exporters in establishing market contacts in order to strengthen the export marketing system. The high value program will work primarily with exporters and, through them, with producers of the selected commodities and will include research activities, development of market contacts and commodity-specific market information systems, assistance in financial planning and management and specialized technical assistance and training in production and post-harvest handling techniques. The Project will be implemented primarily by the Agribusiness Development Center (ADC), an autonomous project-funded implementation unit that will be linked to the restructured export promotion institution that replaces the Uganda Export Promotion Council.

ANNEX 1, ("Project Description") attached, amplifies the above definition of the Project. Elements of the Project Description stated in ANNEX 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

It is anticipated that A.I.D.'s overall contribution to the IDEA Project, over its life will be twenty-five million United States ("U.S") dollars (\$25,000,000).

SECTION 2.2. Incremental Nature of the Project.

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with SECTION 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(b) Prior to the overall Project Assistance Completion Date ("PACD") stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under each individual increment of assistance.

ARTICLE 3: Financing

SECTION 3.1. The Grant.

To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of this Agreement an amount not to exceed seven hundred and fifty thousand U.S. Dollars (\$750,000). This amount is the first increment of planned obligations of up to twenty-five million United States ("U.S.") Dollars (\$25,000,000) (the "Grant") as part of the planned multi-year project. The remaining twenty-four million two hundred and fifty thousand U.S. Dollars (\$24,250,000) shall be subject to the availability of funds to A.I.D. for this purpose and the mutual agreement of the Parties to proceed at the time of the subsequent increments.

The Grant may be used to finance foreign exchange costs, as defined in SECTION 6.1 of this Agreement, and local currency costs, as defined in SECTION 6.2 of this Agreement, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. Project Assistance Completion Date (PACD).

(a) The PACD, which is September 30, 1999, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in SECTION 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4: Conditions Precedent

SECTION 4.1. Conditions Precedent to First Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, with the exception of project management expenses financed under the Grant to be incurred directly by A.I.D., the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D.:

A written statement setting forth the names and titles of persons holding or acting in the Office of the Grantee, as specified in SECTION 8.2, and of any additional representative, and representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each such person certified as to its authenticity.

SECTION 4.2. Notification.

When A.I.D. has determined that the condition precedent specified in SECTION 4.1 has been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent.

If the condition specified in SECTION 4.1 has 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 agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE 5: Special Covenants

SECTION 5.1. Establishment of a New Export Promotion Institution.

The GOU agrees that it will establish a new export promotion institution as a semi-autonomous, full-service, export promotion organization governed by a board of directors with a majority of private sector members and a chairman selected by the board from amongst the private sector representatives, and further agrees that, until such time as this institution is formally established and a director appointed, that the Ministry of Trade and Industry will designate a senior official to serve on the IDEA Project Steering Committee.

SECTION 5.2. Government Personnel and Facilities.

The Grantee agrees to provide sufficient and adequate staff and other resources at Makerere University and the National Agricultural Research Organization to realize the research, education and training objectives of the project as described in Annex 1 of this agreement.

SECTION 5.3. Project Monitoring and Evaluation.

The Parties agree to establish and actively participate in a broad-based monitoring and evaluation program as part of the Project as described in ANNEX 1 of this agreement. Except as the Parties otherwise agree in writing, the evaluation program will include, but not necessarily be limited to:

(a) evaluation of progress towards attainment of the objectives of the Project;

(b) identification, evaluation and mitigation of problems or constraints that would inhibit attainment of Project objectives;

(c) evaluation of the impact of interventions at the "people level";

(d) design and implementation of an appropriate Environmental Monitoring Evaluation and Mitigation Plan for this project as outlined in the Initial Environmental Examination.

(e) evaluation of the overall development impact of the Project.

SECTION 5.4. Duty Free Project Commodities.

The Government of Uganda agrees that all commodities purchased with project funds, whether destined for or consigned to government or private organization(s), will enter Uganda free of duty in accordance with the Economic, Technical and Related Assistance Agreement between the United States of America and Uganda.

SECTION 5.5. Salaries.

The Grantee agrees that no personnel paid salaries from Project funds will draw a government salary or receive government benefits, unless A.I.D. otherwise agrees in writing.

ARTICLE 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs.

Except as A.I.D. may otherwise agree in writing, disbursements pursuant to SECTION 7.1 will be used exclusively as follows:

(a) to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in the countries included within Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance ("Foreign Exchange Costs"). All reasonable efforts will be used to maximize U.S. procurement whenever practicable. Air travel and transportation to and from the U.S. shall be upon certified U.S. flag carriers or in accordance with U.S. Government travel regulations; and

(b) to finance ocean transportation costs under the Grant only on vessels under flag registry of the countries included in A.I.D. Geographic Code 935. This requirement is subject, however, to the 50/50 shipping requirements of the U.S. Cargo Preference Act and the regulations promulgated thereunder, which apply to ocean shipment of commodities furnished by A.I.D. without regard to whether the shipping itself is so financed.

SECTION 6.2. Local Currency Costs.

Disbursements pursuant to SECTION 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Uganda ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

ARTICLE 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of the conditions precedent set forth in Section 4.1 of this Agreement, the Grantee may obtain disbursements of funds under the Grant for Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on the Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of the conditions precedent set forth in Section 4.1 of this Agreement, the Grantee may obtain disbursement of funds under the Grant for local currency costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase, or from local currency already owned by the U.S. Government; or,

(2) by A.I.D., (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee of its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars



will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

(c) The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, in the case of sub-section (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement.

Disbursements of the Grant may also be made through such other means as the Parties may agree upon in writing.

SECTION 7.4. Rate of Exchange.

Except as may be more specifically provided under SECTION 7.2, if funds provided under this Grant are introduced into Uganda by A.I.D. or by any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into Uganda Shillings at the highest exchange rate of Uganda Shillings to U.S. Dollars which is not unlawful at the time of conversion.

ARTICLE 8: Miscellaneous

SECTION 8.1. Communications.

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

To the Grantee: Minister of Finance and Economic Planning

Mail Address: Ministry of Finance and Economic Planning
P.O. Box 8147
Kampala, Uganda

To A.I.D.: Mission Director

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

Facsimile Number: 233417

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All such communications will be in English. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission to Uganda with a copy of each communication sent to A.I.D. Washington, D.C.

SECTION 8.2. Representatives.

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

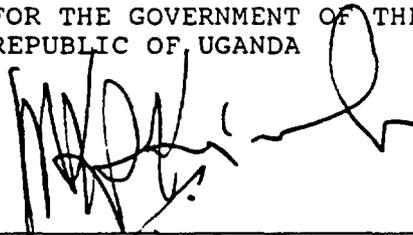
SECTION 8.3. Standard Provisions Annex.

A "Project Grant Standard Provisions Annex" (ANNEX 2) is attached to and forms part of this Agreement.

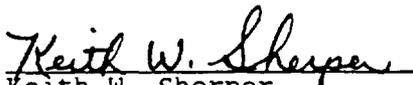
IN WITNESS WHEREOF, the Government of the Republic of Uganda and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Done at Kampala, Uganda in duplicate, the 25th day of Sept, 1993.

FOR THE GOVERNMENT OF THE
REPUBLIC OF UGANDA


Moses R. K. Kintu
MINISTER OF STATE FOR FINANCE AND
ECONOMIC PLANNING (CUSTODIAN BOARD)
HOLDING THE PORTFOLIO OF MINISTER

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA


Keith W. Sherper
MISSION DIRECTOR
UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT

Attachments:

- ANNEX 1 - Amplified Project Description
- ANNEX 2 - Project Agreement Standard Provisions Annex

ANNEX 1

AMPLIFIED PROJECT DESCRIPTION

I. Project Summary and Objectives

IDEA is intended to assist Uganda promote and diversify non-traditional agricultural exports (NTAEs), thereby improving incomes for NTAE producers and exporters, increase external earnings and increase employment. The IDEA Project has two major foci:

- 1) Expand low value food crop exports (primarily maize and beans) to regional markets which will increase incomes of a large number of farmers, most of them smallholders, and of marketing agents and exporters. This will have a substantial impact on the national economy; and
- 2) Increase production and export of high value crops which will provide substantial returns to a relatively small number of producers and exporters but will enhance foreign exchange earnings and wage employment. Examples of high-value commodities already identified for project support are:
 - Spices and essential oils: vanilla, chillies, ginger, and geranium oil
 - Floriculture: roses and field annuals
 - Vegetables: snow peas and asparagus.

Over time, IDEA may support other agricultural exports, with special attention to developing products involving postharvest value-added processing, in order to capitalize on Uganda's competitive wage rates and to provide additional employment.

The project strategy is to improve agricultural marketing systems through support to private exporters and traders through a vertically integrated or "commodity systems" approach. Through this method, constraints in the marketing and production systems will be identified, production technology will be introduced through commercial channels with support from the national bean and maize research systems. Some strengthening of Makerere University faculties to produce agribusiness entrepreneurs will also be undertaken. The Project will provide the stimulus to increase trade and, through building a demand for both low and high-value crops, transfer technology and increase productivity of Uganda's farmers and agribusiness entrepreneurs.

II. Project Goal and Purpose

The goal of the IDEA project is "to increase incomes, particularly those of rural men and women, from non-traditional agricultural exports." This goal is similar to USAID/Uganda's Country Program Strategic Plan (CPSP) strategic objective of increasing rural men's and women's income from agricultural exports but also encompasses project benefits that will accrue to others, primarily exporters, who may not live in rural areas. Other activities in the mission's agriculture portfolio, primarily ANEPP and the CAAS Project, also contribute to the strategic objective. In order for rural incomes from NTAEs to increase, rural farmers must be able to increase production of non-traditional crops and sell them at a profit. Whether the farmer can sell at a profit depends on the cost of inputs and getting the product to the market and the price which it fetches. The export price is determined by world market conditions. While the project has no control over market conditions, it can ensure that NTAEs supported by the project are competitive in the world market and it will continually reassess market conditions.

The project purpose is "to increase production and marketing of selected non-traditional agricultural exports." IDEA's interventions will lead directly to increased production of specific non-traditional agricultural export crops by rural men and women and will ensure, to the extent possible, that what is produced is exported. Increasing and diversifying NTAEs will contribute to national foreign exchange earnings and increase incomes of men and women producers, exporters and others involved in transportation, processing, and packaging of NTAEs. Farmers who sell their incremental production (the additional amount produced as a result of project interventions) to an exporter at a profit will have increased incomes. While producers of some high value crops will not be smallholders¹, higher production levels of these crops will require an increase in hired labor (which may increase rural wage rates), which will also contribute to the project goal of increasing rural incomes.

Achievement of the project purpose (EOPS) will be measured by:

- increases in export value and farmgate value of maize and beans;
- increases in export value of high value commodities;
- increases in the number of smallholders and hired laborers involved in production of high value commodities;

¹ Smallholders are considered to be at the lower end of the income distribution, although rural landless people are generally the poorest of the poor.

- at least 40% of high value producers, outgrowers, hired labor and exporters assisted by the project are women.

The distinction between export value and farmgate value is important because the farmgate value reflects the return to the farmer as opposed to the return to the exporter. Project implementors must continually focus on the link between project activities and increasing producers' incomes to ensure that the project has "people level impact" and contributes to the project goal. Increases in smallholders and hired labor in high value NTAEs are additional indicators of increased production levels and can be assumed to contribute to higher rural incomes. The project will encourage participation of women in production of high value commodities (which men tend to dominate because profits are higher) and this is reflected in the EOPS target of at least 40% women beneficiaries in the high value commodities over the life of the project.

A. Project Strategy

The IDEA project will be implemented primarily by the Agribusiness Development Center (ADC), an autonomous implementation unit funded by the project, which will provide technical assistance and other export development services to targeted NTAE exporters, producers, associations and related service firms and institutions such as Makerere University and the National Agricultural Research Organization (NARO). The ADC will be staffed and operated by an A.I.D.-financed contractor. The staff will be comprised of a Chief-of-Party (COP) and four long-term expatriate technical advisors, five long-term Ugandan technical advisors and administrative support staff. Initially, the ADC will provide most information and services directly to clients. Later in the project, as capacity is developed and support services are institutionalized elsewhere, the ADC will serve in part as a clearinghouse. The ADC will not compete with existing export promotion institutions and will cease to exist with the end of the project. By that time, other institutions in the private and public sector will have been strengthened through this project and other efforts to the point that further assistance in NTAE development is more appropriately channelled through them directly.

While IDEA's primary focus is on production and marketing, the project will also encourage continual improvement in Uganda's export promotion efforts and in the policy and regulatory environment for NTAEs. Producers and exporters will identify new policy and regulatory constraints as they expand and move into new crops and markets. The ADC will serve as one communication channel between the private and public sectors, through a close relationship with the new, restructured export promotion institution and with the Export Policy Analysis Unit (EPAU), and will work to strengthen the ability of private sector associations to take on a policy dialogue function over the life of the project.

If the new export promotion entity is created along the lines currently being discussed (semi-autonomous with its own governing board and resources), the IDEA Chief-of-Party, who will be the director of the ADC, will spend 10-20 percent of her/his time at the new entity, working with the Director and agribusiness staff on relevant export promotion activities. This will keep the lead GOU export promotion institution well informed of project activities, improve coordination amongst donor and GOU projects and help avoid duplication of effort. The COP will also liaise with EPAU staff on agribusiness-related policy issues. These arrangements are intended to help bridge the gap in information sharing and feedback between private and public sectors and to ensure that regulatory or other roadblocks to the project's export activities are addressed quickly.

III. Project Outputs

By the end of the project, the following outputs will be accomplished:

1. Producers of selected commodities [will] have improved knowledge of techniques to increase crop quality and yields.
2. Exporters [will be] able to initiate or expand NTAE activities.
3. NTAE exporters and producers [will] have improved knowledge of agribusiness planning and management and access to sources of financing.
4. Commodity specific market information systems [will be] established or improved and sustainable.
5. Private/public sector entities [will be] multiplying and distributing improved maize and bean seeds.
6. Associations [will be] facilitating growth in NTAEs and acting as effective advocates for a better NTAE policy and regulatory environment.
7. MU Faculty of Agriculture [will be] able to provide long-term and short-term training to support the growth of NTAEs.

The Projects comprises several components and activities which in concert will accomplish these outputs and hence the project purpose.

IV. Project Components

A. Low Value Commodity Export Development

This component will boost exports of maize and beans to regional markets by increasing yields and area under cultivation by strengthening the export marketing system and linking producers to improved technology through commercial channels. The major constraints to increasing production of

maize and beans are utilization of low-yielding varieties, lack of access to existing higher yielding varieties, poor cultural practices, inadequate storage facilities and poor or insufficient market information. This component will include research and extension activities, seed multiplication and distribution, improvements in market information and assistance to commodity exporters in establishing market contacts.

A.1 Maize and Bean Research and Extension

IDEA will support aspects of the national maize and bean research programs operating under the auspices of the National Agricultural Research Organization (NARO). These programs are reasonably well established and have a comparative advantage over any other potential implementing entities for maize and bean research but are underfunded from the GOU budget. IDEA-funded research will target screening, on-farm testing, multiplying and disseminating improved maize and bean seed varieties, identifying pest and disease control measures and techniques for reducing postharvest losses. Researchers will develop low-input, sustainable agricultural production technology packages to increase yields and will demonstrate them to farmers and extension agents. Outreach will be an important aspect of the IDEA-funded work. NARO affiliates will actively demonstrate and promote the results of their research efforts through demonstration plots on farms, District Farm Institutes and other sites. While USAID has in the past supported a much broader research program, the emphasis now will be on applied research that will have an immediate impact. This approach will be highly complementary to a World Bank-funded research program that will support longer term varietal breeding efforts as well as major station research on disease and pest control.

A.2 Multiplication and Distribution of Improved Seed

An effective seed multiplication and distribution program would have an immediate impact on yields. Currently, seeds are distributed through the District Agriculture Officers. The system is not commercial and involves no sales promotion. IDEA will provide start-up funding for private sector and/or NGO participation in multiplying and marketing the improved Longe 1 maize seed and improved bean varieties which have the potential to double yields with little additional labor. Several models will be tested: for example, seeds could be distributed by traders and exporters who receive a sales commission, or exporters might arrange for multiplication and distribution of seeds to producers and then deduct the cost of the seed when they purchase the crop (a form of informal credit). Either of these methods will increase farmers' utilization of improved seeds. Later in the project, similar methods may be used to multiply and distribute other varieties that have passed the screening and testing process.

A.3 Extension

While observers have noted a number of poor cultural practices among Uganda's smallholders that limit yield, labor shortages at peak periods in the growing cycle limit farmers' ability to do much about these. There are, however, other practices that could improve yields without substantial additional labor inputs such as adoption of integrated pest management, more economical use of pesticides and better site selection and preparation. IDEA will support extension of these and similar practices through private extension networks (farmers' associations and other NGOs with close links to smallholders) as well as through the MAAIF extension service, to a limited extent.² The project will also investigate the potential for working through the BAT extension system since the 24,000 smallholders it reaches all grow maize and beans as well as tobacco.

A.4 Market Information and Market Contacts

There is a major gap in information dissemination related to the movement of most low-value crops for regional export. With the clear opportunity for increased sales of maize and other low-value products into the regional export markets, a more efficient system is needed to respond to these conditions. The ADC will assess the level of transparency in the various market information systems and improve them where necessary. For example, ADC will coordinate with REDSO/ESA's regional marketing project to track wholesale prices of a set of low-value commodities and semi-finished products in key East African trading centers. Wholesale price information collected in regional centers will be printed weekly in leading regional newspapers and broadcast over commercial radio along with short monthly (100 words or less) narratives on planting dates, crop development, expected harvest dates, etc. Other useful information would include periodic updates on the semi processed food commodities such as oilseed cake, maize meal and flour.

The ADC will also investigate ways of improving utilization of systems established by ministries, the FAO and ITC. The Ministry of Trade and Industry currently operates a basic agricultural market price information service. MTI publishes the farmgate, wholesale and retail prices for low-value commodity crops from five regional centers located around Uganda, as well as the Kampala prices, every Thursday in the newspaper. This service helps traders looking to source these commodities to maximize their profits on a domestic or export transaction.

The ADC will assist bulk commodity processors and exporters to establish market contacts in regional trading centers and to improve their business planning and identify sources of financing.

² The World Bank will be undertaking a major project to reorganize and rejuvenate the MAAIF extension system. Efforts will be coordinated as necessary.

B. High Value Export Development

The high value commodity program component will work primarily with exporters and, through them, with producers of the selected commodities. Exporter and producer associations will be another conduit of assistance. The high value program will include research activities, development of market contacts and commodity-specific market information systems and specialized technical assistance and training in production and post-harvest handling techniques.

B.1 High Value Commodity Research

The project will fund applied research that is likely to have an immediate impact on overcoming high value export constraints. Multidisciplinary research on a specific crop and/or problem area will be encouraged. The program will emphasize the identification of the best varieties of high value crops for Uganda's conditions, pest and disease control measures to meet export requirements, post harvest handling technologies and appropriate packaging to meet export quality standards. In some cases, research results from other countries may be applied to the development of Ugandan NTAE crops. Special attention will be given to identifying innovations that have been successfully used in similar agro-ecological zones as these may require little or no adaption. Priority will also be devoted to developing environmentally sound and sustainable practices for improved NTAE production and processing.

The research will be demand-driven, i.e., research topics will be determined by the private sector, and the ADC will award research contracts on a competitive basis. Public sector institutions such as NARO affiliates and Makerere University, private sector firms and growers associations will be eligible to compete. IDEA technical advisors and/or NARO, if appropriate, will disseminate research results through associations and other exporter and producer networks.

B.2 Customized Technical Assistance

The ADC will provide highly specialized short-term one-on-one technical assistance to firms and producers to address specific constraints. Such tailored assistance will usually be provided during start-up of a new export crop or during expansion of an operation that involves introducing new technologies and procedures, e.g. rose production or papain processing. Firms receiving this type of assistance will generally have been working with the ADC on several aspects of their business (e.g., identifying financing, establishing market contacts) and their needs will be well known to project advisors. The ADC will determine the types of expertise needed and the level of effort required on a case-by-case basis. If the constraints are related to all firms in a particular subsector, technical assistance will be provided to all. When the assistance is firm-specific, the project will be careful to avoid the appearance of favoritism; to the extent possible, firms at similar levels of development within

a given commodity group will be assisted equally so that no one firm gains an unfair competitive advantage over others as a result of the project.

Introduction or expansion of NTAE crops with high quality standards using an outgrower system requires constant attention, especially in the early stages. Peace Corps Volunteers (PCVs) cooperating with the IDEA project will provide long-term in-country support to these types of initiatives. In general, a PCV will be assigned to a community where an outgrower system is being developed, and the PCV will work collaboratively with IDEA technical advisors and other extension agents (either private sector or MAAIF-supported) to develop and improve production and postharvest handling techniques. Potential assignments include the Kabale snow pea project and the Kasese papain project.

B.3 Market Information and Market Contacts

High value exporters need a continuous flow of timely market information. Their information needs include prices and quality standards, import regulations, packaging and labelling requirements, the importing country's banking and commercial practices, import and distribution channels, transport and forwarding services and trade promotion and advertising opportunities. The project will support the provision of commodity specific market information. Since a variety of market information activities are already underway, the ADC will conduct a thorough analysis to determine where the gaps are and what market information would be most beneficial for project-supported commodities. Where possible, existing systems will be improved where the information services currently in place are unsatisfactory in terms of timeliness, credibility, and relevance to the private sector. Project resources will be available to tap into a variety of information databases and services that provide up-to-the minute price and other information. Any market information systems established or strengthened by the project must incorporate mechanisms for sustainability. For the high value exports, exporter associations might be appropriate vehicles for setting up sustainable specialized market information services.

The ADC will also facilitate introduction of local NTAE firms to potential buyers, service providers, and joint-venture partners. ADC personnel will work closely with the UIA and international trade groups to ensure that NTAE firms are able to maximize their exposure to potentially productive market contacts through such activities as market visits, trade fairs, database development, and follow-up communications. For example, the annual ANUGA trade show, held in Germany, brings together food buyers from all over Europe. It is the single largest food trade show in Europe and is the prime trade show for making deals between producers and buyers.

The ADC will organize a limited number of carefully tailored market tours to the United States, Europe or other regions for Ugandan entrepreneurs. Major world market buyers and

potential joint-venture partners will be identified and contacted in advance. Detailed customized programs will be prepared for each Ugandan entrepreneur including, where feasible, practical experience and training in appropriate overseas firms.

C. Business and Financial Linkages

Sourcing capital for business start-up and expansion is a problem for many small and medium-size firms in Uganda. Often venture capital and business development loan funds set up by government and donor groups have a minimum capital investment limit that is too high to be accessible to small and medium-size businesses, even though they would be a good investment risk for the financial institution. The objective of the business and financial linkages component is to assist NTAE firms to develop sound business plans and present them to appropriate funding sources in order to bring viable projects to fruition.

The ADC will assist NTAE firms to develop sound business plans and present them to appropriate funding sources. The project will fund contracts with local consulting firms to prepare feasibility studies and business plans and do related financial work. Entrepreneurs will be expected to contribute at least 10 percent of the cost of this work. The ADC's Business/Financial Advisor will work with local and international financial institutions, joint-venture partners and/or venture capital sources to match entrepreneurs with financing sources.

The Africa Project Development Facility (APDF) is a Nairobi-based organization that specializes in facilitating financial linkages (but does not itself provide financing). It prefers projects with a value higher than \$500,000, but will consider a minimum value of \$250,000. Over the last two years, APDF has provided financial linkage services to eight Ugandan export projects under a grant from ANEPP. IDEA will provide grant funding to continue this relationship on a limited basis for export projects that meet APDF's size requirements.

The ADC will help exporters explore potential joint-venture opportunities in cooperation with existing efforts underway at UIA. A close working relationship between the ADC and UIA will help build UIA's agribusiness capacity to seek and arrange more agribusiness opportunities.

There are a number of emerging NTAE enterprises that are potentially viable, but due to their size are currently unable to properly package and present their program for financing. The ADC will utilize its core staff along with short-term technical expertise and, in some cases, small business grants, to assist these smaller NTAE firms to get a start in business. While the majority of firms receiving this type of assistance are likely to be in the high value export sub-sector, there are also good business opportunities such as grain processing that impact on low-value exports. Firms providing vital goods

and services (e.g. packaging) to exporters would also be eligible for assistance.

D. Strengthening Associations

IDEA will use exporter, trader, and producer associations as efficient channels for assisting individual farmers and firms and will also strengthen the capacity of these associations to provide services to their members. By the end of the project, these organizations will have developed the capacity to maintain effective support services for their clients, taking over many of the functions initiated by the ADC. This could include market information and contacts, customized technical assistance and training courses, some research/consulting services such as feasibility studies, information exchanges, and government lobbying efforts.

The project will enhance the capacities of the associations in a graduated, responsive fashion. Strong individual farms and firms make strong associations, not vice versa. The nature and level of assistance to individual associations will depend primarily on the degree of member support they enjoy, as well as the extent of their involvement in NTAE development. Associations may submit proposals for assistance to the ADC; activities and funding levels will be approved by the Project Steering Committee.

E. Education and Training

The Faculty of Agriculture and Forestry at Makerere University (MU) is the principal source of professional-level manpower for Uganda's agriculture sector but its programs are heavily oriented towards traditional food and export crops. IDEA will strengthen MU's capacity to prepare students for jobs in the NTAE industry. MU will also conduct some of the in-country training funded by the project. Other training activities will be conducted by project advisors and through other training institutions.

F. Faculty of Agriculture and Forestry

IDEA will assist the departments of Crop Science, Food Technology and Agricultural Economics to strengthen their programs in areas such as postharvest handling, plant protection, horticulture crop production, floriculture, food processing and horticulture marketing. The ADC will provide U.S. university faculty to teach and work with Makerere faculty on curriculum development and M.S. degree training for Makerere faculty in areas such as postharvest handling, plant pathology, general horticulture production/cultural practices, grain/oilseed food technology, horticultural product food technology and horticulture product marketing. The project will also sponsor an internship program for undergraduate students to gain practical experience by working in NTAE operations during their long break.

G. Training

A variety of in-country and short term external training will support the development of NTAEs. Many of the proposed export crops and commodities require highly specialized skills and technologies which are not available in Uganda. Training activities will be tied directly to the needs of the private sector and the emphasis will be on practical and applied training of trainers and preparation of technical information materials, in appropriate languages, for participants. All stages of the chain from planting to marketing will receive attention, including crop specific production practices, pest management, harvesting, postharvest handling, transportation, value-added processing and marketing.

Representatives of NTAE firms and producers as well as appropriate MAAIF extension officers and other public sector officials will participate in workshops, seminars, observation tours, trade shows and associations meetings, and on-farm demonstrations (field days). Short internships may be established for NTAE personnel to work at firms in Kenya, Europe, or the U.S. Farm management training may be provided by regional training centers or business management schools such as ESAMI.

V. Implementation Plan

A. Implementing Entities: Roles and Responsibilities

A.1 GOU Entities

The grant agreement with the GOU will be signed by the Ministry of Finance and Economic Planning. The Ministry of Trade and Industry (MTI) will be the lead GOU implementing ministry; day-to-day contact between the project and MTI will occur through the new GOU export promotion institution once it is established. This institution will have the mandate to oversee all of Uganda's export promotion activities, so it is therefore appropriate that it oversees this project. The director of the new export promotion entity, or his designee, will be a member of the Project Steering Committee (see below) and will communicate the priorities of the GOU.³ The contractor Chief of Party (COP) will spend 10-20 percent of her/his time at the new export promotion institution and will advise the director and staff on agribusiness-related matters.

The MAAIF will also participate in project implementation through the National Agricultural Research Organization (NARO) and involvement of MAAIF extension officers in certain project activities. Because of the project's focus on agricultural crops, it will be important for activities to be coordinated with those of the MAAIF and other donors working with the MAAIF, especially for maize and beans. For this reason, the Director of Planning in the MAAIF will also be a member of the Project Steering Committee.

³ Until such time as the new export promotion entity is established and a director appointed, the MTI may appoint a representative of its choice.

A.1a NARO

NARO is the umbrella entity that coordinates and programs public sector agricultural research in Uganda. It is responsible for providing research and training grants and approving research strategies to the individual research institutes and disseminating research results. NARO will receive funding directly from A.I.D. under IDEA to implement the maize and bean research program at Namulonge Agricultural and Animal Production Research Institute (NAARI) and Kawanda Agricultural Research Institute (KARI) respectively. NARO, through KARI, may also compete for research contracts for high-value crops. KARI has responsibility for improving the national capacity to carry out horticultural applied research and improving the productivity of fruits and vegetables for local and export markets. Research on spices and floriculture is also in its mandate. The Director of NARO or his designee will be a member of the Project Steering Committee. This will facilitate integration of the research program with other project activities. The grant to NARO will include adequate funds for annual audits.

A.1b MU Faculty of Agriculture and Forestry (FAF)

The FAF at Makerere University will implement the education component of the project, with assistance from the ADC, and will also implement some portion of the in-country training program. The ADC prime contractor may choose to identify a specific U.S. university to be a subcontractor for the MU activities. MU may also compete for high value crop research contracts since its faculty have capacity and facilities to conduct some research.

A.2 The ADC

The Agribusiness Development Center, a temporary, autonomous project implementation unit established under the project, staffed and operated by the AID contractor and subcontractor(s) will have overall responsibility for implementing all project activities except for NARO maize and bean research, AID buy-ins, APDF activities and evaluations. The contractor must, however, coordinate and integrate ADC activities with those cited above that will not be under direct ADC control. For example, the low value production and marketing advisors will need to work closely with the maize and bean research programs, and the Business/Finance Advisor will need to liaise with APDF.

Day to day operations of the ADC will be the responsibility of the prime AID contractor and subcontractors under the direction of the Chief of Party (COP). The AID contractor, hereafter referred to as the ADC, is responsible for delivering long and short-term technical assistance, long-and short-term training, study tours, project commodities, competitive research contracts, the seed multiplication and distribution and NGO extension programs, the small grants program, market information for both low and high-value non-traditional export commodities, and environmental and

project impact and performance monitoring. Funds for implementing all the aforementioned activities will be included in the contract and administered by the contractor. USAID will reserve funds for the direct procurement of certain project commodities for contractor support, particularly for vehicles and household furniture that must be procured before the contractor team arrives. Once the contract is let, all commodity procurement will be handled by the contractor.

A.3 Other Implementing Entities

The Africa Project Development Facility (APDF) will provide financial linkage services for a small number of IDEA-assisted exporters. USAID will execute a direct grant to APDF for this purpose. APDF will assign one of its investment officers to work with the ADC and will commit 5 person days of the officer's time each month to IDEA clients. APDF might also engage short-term consultants to assist in the development of a particular project; funding for these consultants will be included in the grant. The grant will also include adequate funds for annual audits.

The US Peace Corps will provide volunteers (PCVs) sited in villages to work on specific extension and agribusiness development activities in the area. For example, a volunteer might assist in establishing an outgrower system for a specific crop. Approximately 10 PCVs will participate over the life of the project. PCVs will have Ugandan counterparts and will be supervised by ADC staff. IDEA will fund housing, furnishings, travel and other necessary costs of supporting the volunteers through the ADC, in accordance with applicable A.I.D. and U.S. Government regulations.

B. Project Management and Coordination

The Project Steering Committee (PSC) will provide direction, coordination and approval for all project activities and will be a forum for finding solutions to implementation problems. The PSC reviews and approves annual workplans and budgets, clears all individual long- and short-term trainees sponsored by the project, approves commodities for project procurement and provides general oversight and direction to the ADC. It will be composed of the following individuals:

- Director, new export promotion institution
- IDEA Project Officer, USAID
- Chief-of-Party, IDEA Contractor
- Director, EPAU
- Director, NARO
- Director of Planning, MAAIF

While the PSC is more likely to function well if it is kept small, it may become appropriate to add other members. The PSC will meet on an as-needed basis, but at least once a month.

The Project Advisory Committee (PAC) will be an informal group that may be convened by the ADC to provide advice and feedback

to the ADC and act both as a sounding board and a mechanism for information-sharing and coordination amongst a variety of entities involved in NTAEs. The PAC may include representatives from UIA, GOU ministries, MU, private sector associations, other donors and smallholders. The PAC should have no more than 10-12 members with at least 3-4 of them being women and/or smallholders.

C. AID Project Management

Overall USAID/Uganda responsibility for managing the project will rest with the Agriculture and Natural Resources (ANR) Office. A US Direct Hire Agriculture Development Officer (ADO) will be the project officer with overall responsibility for project supervision and management. The ADO will be assisted by a US Personal Services Contract (PSC) project manager (who will divide her/his time between IDEA and ANEPP) and a Foreign Service National (FSN) PSC assistant project manager. The US PSC project manager will have prior experience managing USAID projects and will be retained for the first year and a half of project implementation. Subsequently, the FSN PSC and ADO will jointly manage the project. The PSC project manager will prepare all project documentation such as PIO/Ts, PIO/Cs, Project Implementation letters and routine correspondence with the grantee and contractor. The FSN project manager shall assist with preparing project documentation and monitoring. The ADO will be a member of the Project Steering Committee and will serve as chairman of the contractor technical selection committee.

D. Implementation Planning and Monitoring

Within three months of contractor mobilization in Uganda, and annually thereafter, the ADC contractor shall prepare an annual work plan which will include activities proposed for each project advisor and project component and a detailed budget estimate. NARO will do the same for the maize and beans research program. Draft workplans will be submitted to USAID and the PSC for review and comment; final workplans will be approved by the PSC. Field activities and subsequent voucher billings to USAID for work performed under the contract/grant will be presented in a manner consistent with the activities and budget contained in the approved work plans.

The workplans described above will be the key project implementation planning and monitoring tool. Monitoring project outputs and impact will be the responsibility of the ADC. The Request for Proposals will stipulate that each technical proposal submitted in response to the RFP shall include a project output and impact monitoring and reporting system consistent with the project goal and purpose and the proposer's technical approach. This system shall be used to guide project implementation and data from this system will be incorporated annually into a larger USAID program impact monitoring and reporting system.

E. Training Plan

A modest amount of long-term M.Sc. academic training in U.S. universities, primarily for faculty in selected academic departments at Makerere University but possibly for research personnel as well, is contemplated as well as formal off-shore short-term technical training, in-country training and workshops and study tours for individuals associated with export agriculture. Six M.Sc. degrees for three MU departments (Crop Science, Food Technology and Agricultural Economics) will be funded. Approximately 15 formal U.S. or third country short-term technical training programs are planned for members of agribusiness exporting and production companies, MU faculty, NARO-affiliated research organizations and perhaps some government export agency personnel. Finally, about five carefully targeted and coordinated study tours per year will be conducted for exporters, producers and others involved in export agriculture to other countries where export agriculture is in a more advanced stage or in particular market countries. All trainee scheduling, selection, placement and monitoring is the responsibility of the project contractor and shall be included as part of the annual work plan. Trainee selection criteria shall be consistent with USAID Handbook 10 and GOU/MU policy and be mutually agreed upon in writing by the Project Steering Committee. All other USAID procedures, allowances and policies stipulated in Handbook 10 shall be followed. The participating academic departments at MU will forward M.S. candidate nominations along with complete documentation to the PSC for review and final selection. A non-funded PIO/P will accompany each nominee. The ADC will handle all logistics and funding except for visa formalities, which shall be the responsibility of the USAID training officer.

Regional, US and other third country short-term training for GOU officials, private sector agribusiness persons and faculty of MU is an important project input. The training plan that is approved as part of the ADC work plan shall identify the types of training planned, number of trainees and training location. Procedures for selecting candidates for short-term training abroad will be similar to those for long-term training. Study tours abroad for agribusiness people including producers, processors, marketing participants and others who would benefit from exposure to particular agricultural production and marketing systems shall also be organized and implemented by the ADC. Candidates for these types of study tours may be asked to cost share their trips based on criteria and procedures developed by the ADC and approved by the PSC.

In-country workshops and seminars for various purposes are planned. These activities will range from project team-building exercises to hands-on computer software applications, the dissemination of project information and promotional meetings on production and marketing of certain commodities. These activities will also be included in the annual workplan and budget, and once the workplan is approved by the PSC, the contractor will proceed to plan and implement these activities without further formal review and approval.

F. Small Grants Program

The ADC will establish a small grant fund for testing the feasibility of and "jump-starting" export-related ideas or activities. The rationale for these grants is that testing or initial start-up of an export activity can entail a high level of risk that makes it difficult for an entrepreneur to find commercial financing and, furthermore, the activity may have benefits that are broader than an individual firm (e.g., if a trial shipment of a commodity establishes that Uganda can produce to certain quality standards, other firms may begin exporting that commodity.) Exporters and/or producers might use grants for activities such as developing market contacts, obtaining seed, planting or packaging materials, testing a new variety or making trial shipments.

The ADC will be responsible for developing clear and transparent criteria and procedures for awarding grants and for evaluating the effectiveness of the grants and, if necessary, revising procedures on a periodic basis. Criteria should include the anticipated value of exports generated, the potential impact of the export activity on rural incomes, the extent to which women will benefit from the proposed activity, the likelihood that other firms will benefit from the findings of the activity and the demonstrated need and commitment of the entrepreneur/firm. The Project Steering Committee will approve the selection criteria and all grant awards. It is anticipated that most grants will be in the range of \$5,000-10,000.

G. Competitive Research Contracts

IDEA will support a sizeable demand-driven contract research program in priority agriculture export fields. General research priority areas have been identified in the A.I.D. project paper for this activity; priorities will be further refined by the ADC through consultation with the private sector and NARO. The ADC will develop and the PSC will approve specific research proposals on the priority topics. Given the short life of project, all proposals must be short-term, applied research. Competition will be limited to Ugandan firms and organizations. A.I.D. policy precludes sub-contracting for services with government-owned organizations (e.g. NARO) unless the eligibility of such entities has been established by a waiver. A waiver to make government-owned entities eligible is justified if the competition for obtaining a contract will be limited to host country firms or organizations. Since it is anticipated that NARO will compete for research grants, the Mission Director, USAID/Uganda will be requested to approve a waiver on the grounds cited above to make NARO an eligible sub-contractor for this project.

The ADC will formally advertise requests for proposals. The ADC will evaluate and select proposals on previously established technical and cost criteria; selections will be approved by the PSC (except for the NARO representative if NARO is among the contenders for a given contract). The prime

contractor will be responsible for executing and funding all research contracts.

H. Procurement Plan

H.1 Responsible Agency

The Prime Contractor, who will be under direct AID contract, will be responsible for procurement of commodities and management of sub-contracts with both local and US institutions. The services of the Prime Contractor will be procured using full and open competition. An advertisement for the Request for Proposals (RFP) will be put in the Commerce Business Daily. The Prime Contractor will be responsible for procurement of all services and equipment for the project office, which will be known as the Agribusiness Development Center (ADC). The implementing agency will be a new export promotion institution, which will be the revitalized Uganda Export Promotion Council (UEPC), with ties to the Ministry of Trade and Industry. The authorized source and origin will be Geographical Codes 000, 935 and 899.

H.2 Commodities

The project will finance vehicles, office equipment, teaching materials and laboratory equipment. Because there are no spare parts and service capabilities in Uganda for U.S. manufactured vehicles, non-U.S. code 935 vehicles for which there are spare parts and service available locally will be financed. If, however, during the course of the project spare parts and service capabilities become available for U.S.-manufactured vehicles meeting the technical specification requirements of the project, such U.S. vehicles will be purchased as needed.

H2.a Technical Equipment/Teaching Materials

The project will fund computers, laboratory equipment and teaching material for Makerere University. This equipment will all be purchased in the second and third years of the project once the needs of the departments involved are assessed.

H2.b National Agricultural Research Organization (NARO)

While much of the support to NARO for high value commodity research will be provided under contract agreements between the Prime Contractor and NARO, it is envisaged that some basic equipment such as a small irrigation system, cold store and nursery green house will be provided to Kawanda Research Station to support all contract research activities.

H.3 Purchasing Entities

Different entities will be purchasing services and commodities for the project. They are:

H.3a Prime Contractor:

The prime contractor will procure all services, furniture and equipment for the project office and technical equipment and teaching material for Makerere University.

A.I.D. encourages the prime contractor to sub-contract with US universities and Ugandan firms for services. At least 10 percent and preferably more of the value of the prime contract will be represented by sub-contracts to Gray Amendment (minority owned) firms, Historically Black Colleges and Universities and/or Small Disadvantaged (8a) firms.

H.3b USAID

Motor vehicles and the household appliances and furniture for the homes used by the Technical Assistance Team Members will be purchased by the USAID. The vehicles will be bought through the US Central Purchasing Office. The household furniture and appliances will be purchased under the same arrangement as that used by USAID with Operating Expenses funds.

VII. Project Financial Plan

\$25 million will be granted over a five-year period. A budget summary is presented in Attachment 1A, entitled "Illustrative Summary of Project Costs."

VIII. Government of Uganda Contribution

The GOU's contribution to the IDEA project will exceed the 25 percent required from host country grantees. The GOU will receive a World Bank loan of \$12 million for the Uganda Export Promotion Project that will be implemented over the same period of time as IDEA and that will support the new GOU export promotion institution. The IDEA project will have direct links to the new institution, and the activities of the Uganda Export Promotion Project will complement and contribute to the achievement of IDEA's purpose. The GOU will also use World Bank loans amounting to \$5 million to strengthen programs at NARO and in-service programs at Makerere University that bear directly on non-traditional agricultural export development. For example, IDEA will use Makerere's enhanced short-term training capacity to implement a major part of its in-country training program. It is therefore appropriate to count the value of these World Bank loans, \$17 million in total, as a host country contribution.

The GOU will also provide 1 billion Ugandan shillings over the life of the project to support project activities. The GOU will program Ush 200 million each year beginning in GOU FY 94/95; the nature of the activities to be supported by the GOU contribution will be decided by the Project Steering Committee on an annual basis.

IX. Project Monitoring, Evaluation and Assessment

The IDEA Project Monitoring and Evaluation (M&E) Plan will track and assess project performance and impact. It will provide periodic feedback on progress towards the attainment of the project outputs and purpose. This information will be used by USAID, the implementing contractor, the GOU, and the private sector in adjusting efforts to keep the project on course, as well as for reporting results to AID/Washington.

Monitoring and evaluation of this project focuses on private sector components, but will also include analysis of public sector activities that influence the enabling environment. Increased non-traditional exports will be tracked by the ADC and USAID utilizing their own and external resources where applicable. USAID is responsible for tracking national aggregate people-level impact through increases in rural income. The ADC will also track incomes for people engaged in production/marketing of targeted commodities. Monitoring and evaluation of private sector activities will be led by the ADC with the assistance of Ugandan business and trade associations. USAID will have overall M&E responsibility and will review all reports.

Monitoring will include tracking and reporting end-of-project status (EOPS) indicators and outputs through periodic surveys. Monitoring reports on results achieved will provide the baseline and progression of data required to measure achievement of planned outputs, data for USAID's annual Assessment of Program Impact (API), and information on people-level impact.

The project will identify, monitor and evaluate any significant adverse environmental impacts, i.e., physical, biological and/or chemical effects, resulting from project-related activities. The general rationale and framework for this Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP) are provided in the Initial Environmental Examination. The Project EMEMP generally consists of three major activities: (1) Environmental Impacts Reviews (EIRs) of each of the five selected NTAE target sectors to develop accurate baseline information and key environmental indicators for continuing environmental M&E efforts, and to develop general mitigative guidance for future target sector development; (2) a continuing environmental M&E program, closely integrated with the greater project M&E plan described above, to monitor the environmental status of NTAE development in Uganda and effect any required mitigative measures in a timely manner; and (3) a procedure for the Environmental Review of new entrants into the NTAE sector to add to the M&E database and to provide more specific mitigative guidance as development plans and proposals become more definite.

While USAID will retain overall responsibility for successful EMEMP implementation, it will be assisted in this effort by the associated ADC M&E efforts described above, ongoing similar USAID M&E activities associated with its Action Program for the Environment (APE), and greater GOU environmental monitoring and assessment efforts currently

underway through the National Environmental Action Plan Secretariat.

Monitoring tracks progress towards established objectives. Evaluation goes beyond monitoring to assess impact and effectiveness, and to consider possible design alterations. The Monitoring and Evaluation Plan prescribes two rounds of evaluation, a Mid-term Evaluation in year three, and a Final Evaluation at the end of the project.

USAID will contract for the Mid-term Evaluation at the end of the second full year of project implementation. The Mid-term Evaluation will:

- Summarize progress toward the project purpose and outputs
- Analyze factors facilitating or impeding progress
- Evaluate changes in the Ugandan and World Market environments influencing the IDEA Project
- Analyze implications for project adjustments

Data for the Mid-term Evaluation will be drawn from the monitoring database, the surveys, and contractor reports. The Mid-term Survey will provide the most concrete data on attainment of the project purpose. Evaluators will study the distribution of Project effects on various export sub-sectors, examining the share of benefits reaped by exporters and their employees, distributors, processors and producers.

Evaluators will also analyze the impact of increased exports on small and medium-scale operators within the sector, seeking answers to the following questions: Has the increase in exports resulted in greater concentration within the sector? Has this led to reduced market power for small operators? Have there been structural shifts in production in favor of larger factories or plantations? Have women traders been included, or left behind as the sector develops?

The Final Evaluation will follow the same methodology as the Mid-term Evaluation, with corrections for any mid-term adjustments in the project. The Final Evaluation Team will have the same composition as for the Mid-term Evaluation. It will draw conclusions about the impact of this project and develop lessons learned for others undertaking similar NTAE projects.

ANNEX 2

PROJECT AGREEMENT STANDARD PROVISIONS ANNEX

Project Grant Standard

Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2 Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experience management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in

such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3 Utilization of Goods and Services

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion or termination of the Project, and thereafter (as well as during any period of suspension of the project) will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use. (See A.I.D. Handbook 18.)

SECTION B.4. Taxation

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. REPORTS, ACCOUNTING RECORDS, AUDITS
INSPECTIONS

(a) The Grantee shall furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request.

(b) The Grantee shall maintain accounting books, records, documents, and other evidence relating to the Project and to this Agreement. Adequate to show, without limitation, all costs incurred under the Grant, the receipt and use of goods and services acquired under the Grant. The costs of the Project supplied from other sources, the nature and extent of

solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project towards completion ("Project books and records"). At the Grantee's option, with approval by A.I.D., Project books and records shall be maintained in accordance with one of the following methods:

(1) Generally accepted accounting principles prevailing in the United States,

(2) Generally accepted accounting principles prevailing in the country of the Grantee,

(3) Accounting principles prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants),

or (4) Such other accounting principles as the Parties may agree to in writing. Project books and records shall be maintained for at least three years after the date of last disbursement by A.I.D.

(c) If Dollars 25,000 or more is disbursed directly to the Grantee in any one calendar year under the grant, the Grantee, except as the Parties may otherwise agree in writing, shall have financial audits made of the funds disbursed to the Grantee under the Grant in accordance with the following terms:

(1) The Grantee shall select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the A.I.D. Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines".

(2) An audit of the funds provided under the Grant shall be conducted for each fiscal year of the Grantee. The audit shall determine whether the receipt and expenditure of the funds provided under the Grant are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than one year after the close of the grantee's fiscal year.

(d) The Grantee shall submit an audit report to A.I.D. within 30 days after completion of each audit arranged for by the Grantee in accordance with this section. The A.I.D. Inspector General will review each report to determine whether it complies with the audit requirements of the Agreement. Subject to A.I.D. approval, costs of audits performed in accordance with the terms of this section may be charged to the Grant. In cases of continued inability or unwillingness to have an audit performed in accordance with the terms of this section, A.I.D. will

consider appropriate sanctions which include suspension of all or a portion of disbursements until the audit is satisfactorily completed or A.I. D. performs its own audit.

(e) The Grantee shall submit to A.I.D., in form and substance satisfactory to A.I.D., a plan by which the Grantee will ensure that funds made available to subrecipients that receive dollars 25,000 or more in any one calendar year under the Grant are audited in accordance with this agreement. The plan should describe the methodology to be used by the Grantee to satisfy its audit responsibilities with respect to any subrecipient to which this section applied. Such audit responsibilities with respect to subrecipients may be satisfied by relying on independent audits of the subrecipients or on appropriate procedures performed by the Internal Audit or Program Staff of the Grantee, by expanding the scope of the Independent Financial Audit of the Grantee to encompass testing of subrecipients' accounts, or by a combination of these procedures. The plan should identify the funds made available to subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities (a non-profit organization organized in the United States is required to arrange for its own Audits; a for-profit contractor organized in the United States that has a direct contract with A.I.D. is audited by the cognizant U.S. Government Agency; A private voluntary organization organized outside the United States with a direct Grant from A.I.D. is required to arrange for its own audits; and a host-country contractor should be audited by the cognizant Grantee contracting agency). The Grantee shall ensure that appropriate corrective actions are taken on the recommendations contained in the subrecipients' audit reports; consider whether subrecipients' audits necessitate adjustment of its own records; and require each subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(f) A.I.D. may, at its discretion, perform the audits required under this agreement on behalf of the grantee by utilizing funds under the grant or other resources available to A.I.D. for this purpose. The grantee shall afford authorized representatives of A.I.D. the opportunity at all reasonable times to audit or inspect the Project. The utilizations of goods and services financed by A.I.D. and books records and other documents relating to the Project and the grant.

SECTION B.6 Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of

reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(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 Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions

SECTION C.1 Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacturers, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished by A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be produced on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval or on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this sub-section must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as A.I.D. may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule,

regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination.

(a) Either party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. A.I.D. also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this agreement in whole or in part upon giving the Grantee written notice. In addition, A.I.D. may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that A.I.D. determines makes it improbable that the objectives of the project or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.

(b) Except for payment which the parties are committed to make pursuant to noncancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of the entirety or part of this Agreement will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the parties to provide financial or other resources to the Project, or to the suspended or terminated portion of the Project, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant, or under the applicable portion of the Grant, be transferred to A.I.D. if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2 Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty (60) days after receipt of a request thereof.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services requires for the Project, to the extent justified, and (B) the

remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be constructed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.