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UGANDA

FOOD PRODUCTION SUPPORT

Project Paper

617-0102

Agency for International Development
Washington, D.C. 20523

September 1981

ACTION MEMORANDUM

TO : Director, REDSO/EA

FROM : Domenick J. Scarfo, REDSO/EA

SUBJECT: FY 1981 Uganda Food Production Support Project

Problem: Your approval is required to authorize a $5.0 million Food Production Support from Development Assistance Grant funds to the Government of Uganda (GOU).

Discussion:

A. Project Description: This project addresses the short-term problems which are impeding the recovery of the small farm agricultural sector in Uganda. After the devastating decade of the 1970's which witnessed the disruption and dissolution of almost every sector of the economy, the small farmers in Uganda have retreated to food production with the barest means at their disposal. Soon after the fall of Idi Amin, the Commonwealth Secretariat prepared a report which identified the lack of hoes and other similar farm implements as one of the most critical constraints in the rehabilitation of the agricultural sector. Some donors, including AID, EC and UNDP have provided hoes through various programs. Only an estimated 1.4 million have been provided to date, of which probably three quarters have reached the intended beneficiary. This means that most Ugandan farmers still do not have farm implements which are basic to hand cultivation. As a result, only 68% of the land cultivated in 1971 is under cultivation at the present time. The estimated demand for hoes continues at between 5 and 6 million, and these hoes will have to be replaced every two to three years. The project proposes to assist the Ugandan government in the local production of approximately 515,000 hoes, and to distribute these hoes as well as other selected inputs to small farmers through the cooperative system.

The project builds on and is a natural extension of AID's FY 1979 CIP Grant to Uganda in the amount of $3,000,000. This grant has been a successful AID/GOU endeavor during a difficult time in Uganda's history. To date, nearly 2000 metric tons of steel flats and billets have been delivered to Uganda, and approximately 300,000 hoes have been manufactured and distributed to small farmers throughout the country. Two tons

of improved seed varieties have been purchased and delivered to 27,000 farm families. 10,000 bicycles and related spare parts will have been procured and completely distributed by October 1981. In addition, 502 truck tires and tubes have been procured from Zimbabwe and distributed to support urgent food relief needs. Nine vehicles purchased for the project have been operating in-country for over one year. The GOU monitoring agency for the project, the Audit Section of the Ministry of Cooperatives and Marketing (MCM), has submitted monthly reports showing that the project has been operating effectively and that hoes and other AID-financed commodities have reached intended beneficiaries. The Audit Section's findings have been verified through spot checks and site visits by USAID personnel. The project has also had a significant impact on reviving the institutional strength of the Ugandan cooperative movement and on the rehabilitation of small farm production. The proposed project has been designed to build on the strength and success of AID's first post-Amin project in Uganda.

The political situation in Uganda has continued without significant improvement over the two years since the CIP project was designed;although, a wide-ranging economic reform program has been recently executed by the GOU (See Annex K). However, the needs of the Ugandan small farmer, who has suffered immensely during the past decade have not been met and are growing exponentially. In view of the considerable success of the AID CIP project, it is the opinion of USAID/ Uganda and REDSO/EA that the proposed project should be approved for funding on the grounds that it can reach the small farmer with essential farm implements and inputs. This will improve the life and income situation of Uganda's small farm families, as the project will begin the rehabilitation of the agricultural sector and the export potential of the country, without which economic growth cannot get underway.

Pursuant to the analysis contained in the project paper, USAID/U and REDSO/EA recommend that AID approve this project for funding in the amount of $5,000,000. As the means to achieve the purpose of the Project, this $5.0 million will finance 1) a limited amount of equipment ($430,000) and steel ($1,100,000) to the Ugma Steel and Engineering Corp. so that it can produce hoes for small farmers; 2) utilize the cooperative movement to distribute hoes, seeds, gunny sacks for marketing and bicycles, tires and related spare parts ($1,920,000) for transportation; 3) a modest training program ($575,000) for Ugandans in the cooperative sector; and 4) a technical assistance program (49 work-months, $975,000) to strengthen the cooperative movement, especially its distribution functions. The need for the project for the rehabilitation of small farm agricultural production in Uganda is established and the capability of the GOU and

and the industrial sector to carry out the project has already been demonstrated by a previous AID project.

B. Financial Summary

Project grant funding requirements are summarized in the following table:

1. Commodities (a) steel billets and flats (b) hoe production equipment (c) groundnut, vegetable and soy bean seeds (d) bicycles and related spare parts (e) bicycle tires and tubes (f) pick-up trucks (g) gunny sacks (h) other	$3,450,000
2. Technical Assistance (49 work-months)	975,000
3. Training Program	575,000
Total	$5,000,000

C. Conditions and Covenants

No special problems in the negotiation of the Project Grant Agreement are foreseen. The Project Grant Agreement contains only those conditions and covenants necessary for the successful implementation of this project. No problems are foreseen in the GOU's satisfying or adhering to the terms and conditions included in the Project Grant Agreement (see Annex C of the Project Paper).

D. Waivers Required

A procurement source and origin waiver to A.I.D. Geographic Code 935 is requested for the purchase of pick-up trucks and spare parts valued at an estimated $40,000. A detailed justification for the waiver is included in Annex F of the Project Paper.

E. Committee Action and Congressional Apprisement

The Congressional Notification on this project cleared the U.S. Congress on August 12, 1981. The ECPR approved the Project PID and delegated authority to the Director of REDSO/EA to approve the Project Paper at a life-of-project funding level of not to exceed $5,000,000 (see State 194118, paragraph 11).

F. Environmental Analysis

AID/Washington approved a negative determination included in the IEE (see State 201722).

G. Implementation

Primary responsibility for managing A.I.D.'s implementation function will rest with USAID/Kampala, with assistance when required by REDSO/EA. This procedure has worked satisfactorily in the implementation of the FY 1979 $3.0 CIP Grant to the GOU and should continue to function satisfactorily for this project.

Recommendation: That you sign the attached Project Grant Authorization thereby authorizing the proposed project, and approve the requested vehicle waiver.

Approved: gb

Disapproved: _____

Date: 9/3/81

Attachments:
A. PP
B. Project Grant Authorization
C. Vehicle Waiver
D. State 194118
F. State 201722

PROJECT AUTHORIZATION

Name of Country: Uganda

Name of Project: Uganda Food Production Support Project

Number of Project: 617-0102

1. Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Uganda Food Production Support Project (the "Project") for the Republic of Uganda (the "Cooperating Country") involving planned obligations of not to exceed Five Million United States Dollars ($5,000,000) in grant funds over a two (2) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing certain foreign exchange and local currency costs for the Project.

2. This Project will provide assistance to the cooperative movement in Uganda through financing of short-term technical assistance, training and agricultural inputs, implements and raw materials. The assistance will be directed toward strengthening the Ministry of Cooperatives and Marketing and Uganda Cooperative Central Union's ability to plan a cooperative strategy, to better manage and account for scarce human and financial resources, to better provide agricultural inputs, implements, and marketing services to small rural farmers, to foster small-scale private agriculture-related industry, and to provide a firm basis for further institution building.

3. I hereby authorize the initiation of negotiations and execution of the Project Agreement(s) by the officer to whom such authority has been delegated in accordance with A.I.D. Regulations and Delegations of Authority, subject to the following terms and conditions together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in countries included in A.I.D. Geographic Code 941 except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as

A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or the Cooperating Country.

b. Conditions Precedent

(1) Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement(s) to finance agricultural inputs, implements, and raw materials, the Cooperating Country will furnish in form and substance satisfactory to A.I.D.:

(a) formal assurances that prices charged by private sector firms for manufacturing farm tools, implements, and related agricultural products are such that these prices cover real capital costs and generate a fair return to capital.

c. Covenants

The Cooperating Country shall covenant in substance as follows:

(1) will endeavor to ensure that adequate quantities of petrol will be furnished to primary cooperative societies and district unions as are necessary for the distribution by them of A.I.D.-financed and other commodities and to market the farmers' agricultural production.

(2) that no pesticides will be procured or used in support of this project without an additional evaluation acceptable to AID which will include a risk/benefit evaluation of the proposed pesticide use in accordance with AID's current environmental procedures.

d. Waivers

Based on the justification set forth in Annex J, I hereby approve an origin waiver from AID Georgraphic-Code 000 (United States) to Code 935 (Special Free World) in the estimated amount set forth in the Annex to permit the purchase of Project vehicles as set forth in the Annex. I hereby certify that (1) special circumstances exist to waive and do hereby waive the requirements of Section 636(i) of the Act, and (2) that exclusion of procurement from Free World countries other than the Cooperating Country and countries included in Code 935 would seriously impede attainment of U.S.

foreign policy objectives and objectives of the foreign assistance program.

e. Other

Based upon the successful procedures established in implementation of FY 79 Commodity Import Grant 617-K-012 by the Cooperating Country, I hereby authorize implementation of that portion of the Project financing agricultural inputs, implements, and raw materials utilizing A.I.D. procedures set forth in A.I.D. Handbook 4, Non-Project Assistnce, and A.I.D. Handbook 15, A.I.D. Financed Commodities.

Signature: _____ 9/3/81

Acting Director
Authorizing Officer

REDSO/EA
Office Symbol

8

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE: A (A ADD, C CHANGE, D DELETE)

PP

2. DOCUMENT CODE: 3

3. COUNTRY/ENTITY: Uganda

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): 617-0102

6. BUREAU/OFFICE: A. SYMBOL AFR; B. CODE 06

7. PROJECT TITLE (Maximum 40 characters): Food Production Support Project

8. ESTIMATED FY OF PROJECT COMPLETION: FY 84

9. ESTIMATED DATE OF OBLIGATION: A. INITIAL FY 81; B. QUARTER 4 (Enter 1, 2, 3, or 4); C. FINAL FY 82

10. ESTIMATED COSTS ($000 OR EQUIVALENT $1 –)*

A. FUNDING SOURCE	FIRST FY B. FX	FIRST FY C. L/C	FIRST FY D. TOTAL	LIFE OF PROJECT E. FX	LIFE OF PROJECT F. L/C	LIFE OF PROJECT G. TOTAL
AID APPROPRIATED TOTAL	2,000		2,000	5,000		5,000
(GRANT)	(2,000)	( )	(2,000)	(5,000)	( )	(5,000)
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY						
OTHER DONORS					1,850	1,850
TOTALS	2,000	–	2,000	5,000	1,850	1,850

11. PROPOSED BUDGET APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. 1ST FY 81 F. GRANT	E. 1ST FY 81 G. LOAN	H. 2ND FY 82 I. GRANT	H. 2ND FY 82 J. LOAN	K. 3RD FY ___ L. GRANT	K. 3RD FY ___ M. LOAN
(1) B	130	070		2,000		3,000			
(2)									
(3)									
(4)									
TOTALS				2,000		3,000			

A. APPROPRIATION	N. 4TH FY ___ O. GRANT	N. 4TH FY ___ P. LOAN	Q. 5TH FY ___ R. GRANT	Q. 5TH FY ___ S. LOAN	LIFE OF PROJECT T. GRANT	LIFE OF PROJECT U. LOAN
(1)					5,000	
(2)						
(3)						
(4)						
TOTALS					5,000	

12. IN-DEPTH EVALUATION SCHEDULED: MM YY

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 (1 = NO, 2 = YES)

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE

TITLE: Peter Bloom, Acting Director, REDSO/EA

DATE SIGNED: MM 09 DD 04 YY 81

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

AID 1330-4 (3-78)

UGANDA FOOD PRODUCTION SUPPORT PROJECT
PROJECT PAPER

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GLOSSARY OF ACRONYMS

ACDI	-	Agriculture Cooperative Development International
AID	-	Agency for International Development
EC	-	European Community
GOU	-	Government of Uganda
IADS	-	International Agriculture Development Services
IBRD	-	International Bank for Reconstruction and Development
IFAD	-	International Fund for Agricultural Development
L/Comm	-	Letter of Commitment
M and D	-	Management and Development Section
L/Credit	-	Letter of Credit
MCM	-	Ministry of Cooperatives and Marketing
MOA	-	Ministry of Agriculture
MOPED	-	Ministry of Planning and Economic Development
MT	-	Metric Ton (2,240 pounds)
PS	-	Permanent Secretary
REDSO	-	Regional Economic Development Services Office
UCA	-	Uganda Cooperative Alliance
UCC	-	Uganda Cooperative College
UCCU	-	Uganda Central Cooperative Union
UCTU	-	Uganda Cooperative Transport Union
UNDP	-	United Nations Development Program
UPC	-	Ugandan Peoples Congress
USAID/U or USAID/K	-	U.S. Agency for International Development Mission in Kampala, Uganda.

I. SUMMARY AND RECOMMENDATIONS

A. Project Title: Uganda Food Production Support Project

B. Cost of Project: $5,000,000 AID Grant
$1,850,000 GOU contribution

TOTAL $6,850,000

C. Period of Implementation: Three (3) years. PACD is September 1984.

D. GOU Implementing Agency: The Ministry of Cooperatives and Marketing (MCM).

E. Summary Project Description:

This project addresses the short-term problems which are impeding the recovery of the small farm agricultural sector in Uganda. After the devastating decade of the 1970's which witness d the disruption and dissolution of almost every sector of the economy, the small farmers in Uganda have retreated to food production with the barest means at their disposal. Soon after the fall of Idi Amin, the Commonwealth Secretariat prepared a report which identified the lack of hoes and other similar farm implements as one of the most critical constraints in the rehabilitation of the agricultural sector. Some donors, including AID, EC and UNDP have provided hoes through various programs. Only an estimated 1.4 million have been provided to date, of which probably three quarters have reached the intended beneficiary. This means that most Ugandan farmers still do not have farm implements which are basic to hand cultivation. As a result, only 68% of the land cultivated in 1971 is under cultivation at the present time. The estimated demand for hoes continues at between 5 and 6 million, and these hoes will have to be replaced every two to three years. The project proposes to assist the Ugandan government in the local production of approximately 515,000 hoes, and to distribute these hoes as well as other selected inputs to small farmers through the cooperative system.

The project builds on and is a natural extension of AID's FY 1979 CIP Grant to Uganda in the amount of $3,000,000. This grant has been a successful AID/GOU endeavor during a difficult time in Uganda's history. To date, nearly 2000 metric tons of steel flats and billets have been delivered to Uganda, and approximately 300,000 hoes have been manufactured and distributed to small farmers throughout the country. Two

tons of improved seed varieties have been purchased and delivered to 27,000 farm families. 10,000 bicycles and related spare parts will have been procured and completely distributed by October 1981. In addition, 502 truck tires and tubes have been procured from Zimbabwe and distributed to support urgent food relief needs. Nine vehicles purchased for the project have been operating in-country for over one year. The GOU monitoring agency for the project, the Audit Section of the Ministry of Cooperatives and Marketing (MCM), has submitted monthly reports showing that the project has been operating effectively and that hoes and other AID-financed commodities have reached intended beneficiaries. The Audit Section's findings have been verified through spot checks and site visits by USAID personnel. The project has also had a significant impact on reviving the institutional strength of the Ugandan cooperative movement and on the rehabilitation of small farm production. The proposed project has been designed to build on the strength and success of AID's first post-Amin project in Uganda.

The political situation in Uganda has continued without significant improvement over the two years since the CIP project was designed; however, a wide-ranging economic reform program has been recently executed by the GOU (See Annex K). However, the needs of the Ugandan small farmer, who has suffered immensely during the past decade, have not been met, and are growing exponentially. In view of the considerable success of the AID CIP project, it is the opinion of USAID/Uganda and REDSO/EA that the proposed project should be approved for funding on the grounds that it can reach the small farmer with essential farm implements and inputs. This will improve the life and income situation of Uganda's small farm families, as the project will begin the rehabilitation of the agricultural sector and the export potential of the country, without which economic growth cannot get underway.

Pursuant to the analysis contained in this project paper, USAID/U and REDSO/EA recommend that AID approve this project for funding in the amount of $5,000,000. As the means to achieve the purpose of the Project, this $5.0 million will finance 1) a limited amount of equipment ($430,000) and steel ($1,100,000) to the Ugma Steel and Engineering Corporation so that it produce hoes for small farmers; 2) utilize the cooperative movement to distribute hoes, seeds, gunny sacks for marketing and bicycles, tires and related spare parts ($1,920,000) for transportation; 3) a modest training program ($575,000) for Ugandans in the cooperative sector; and 4) a technical assistance program (49 work-months, $975,000) to strengthen the cooperative movement, especially its distribution functions. The need for the project for the rehabilitation of small farm agricultural production in Uganda is established and the capability of the GOU and the industrial sector to carry out the project has already been demonstrated by a previous AID project.

F. Project Issues: None

G. Eligible Geographic Code Source: Code 941, except vehicles which are Code 935

H. Project Waivers Required: Annex F. contains details of the required vehicle waiver.

I. Recommendation of GOU and USAID/Kampala: The GOU, USAID/Kampala and REDSO/EA strongly endorse this project and recommend the authorization of a grant of $5,000,000, subject to the terms and conditions described in Annex C.

J. Project Committees:

A. Field

D.J. Scarfo, Chief, Design Officer
REDSO

C.Buck, Act.Mission Director,Kampala

G.Bisson, Legal Advisor, REDSO

G.LaBombard, Procurement Specialist, REDSO

H.Soos, Economist, REDSO

N.Greeley, Social Scientist REDSO

P. Fleuret, PSC Social Scientist

II. Background and Statement of Problem

A. Agricultural Constraints to Recovery

Uganda's economy is essentially agrarian, with an estimated 90% of the population deriving an income from small farm agricultural production. Most of Uganda's exports also derive from agriculture, and many of the inputs into the industrial and service sectors come from or are destined for agricultural purposes. Thus overall economic performance is largely determined by the performance of agriculture, which accounted for about 50% of GDP in 1970, and rose to 56% in 1978 as other sectors declined relatively faster. At that time, Uganda had a relatively diversified agriculture, and produced a variety of crops both for the export market and for domestic consumption. The principal export crops were coffee, cotton, tea and tobacco.

Agricultural production has traditionally been dominated by small holders for food crops, coffee, cotton and tobacco. Tea and sugar cane are the main crops in the large-scale sector, with more than half of total production grown on estates; the rest was grown on small and medium sized farms. In 1970, coffee and cotton accounted for about 75% of monetized small farm income. The dairy industry was about 25% small-scale, and the entire grade beef industry was large-scale.

A wide diversity of food crops has also traditionally been grown in Uganda. Different crops predominate in different regions: bananas form the staple in the high rainfall areas of the south, while cereals become more important in the north. Some food crops such as bananas, cassava, sweet potato and various lentils are produced primarily for on-farm consumption, while others such as maize, groundnuts, Irish potatoes and rice are for export from the area of their production.

The effect of the economic events of the 1970's has been a decline in export-oriented agricultural production, and a mixed performance in food production for domestic consumption. Recorded exports of coffee fell from 251,000 metric tons in 1970/71 to 120,000 tons in 1978/79. Sugar exports fell from 144,000 tons to 12,000 tons over this period, while cotton fell from 76,000 tons to 11,000 tons and tea from 18,000 tons to 11,000 tons. Thus the export segment of the agricultural sector, which constituted the backbone of government revenue and foreign exchange earnings, declined drastically during the 1970's.

Food production was subject to a more complex set of factors. Worsening economic conditions promoted an increase in food prices relative to export crops. Both land and labor resources were transferred to food production, especially in areas where transport to the main urban centers was adequate. Many farmers retreated into a subsistence existence, however, and sought to maintain production at a level sufficient to meet their household food requirements. Since consumer goods and basic necessities such as soap, sugar, salt and oil were generally unavailable or extremely expensive at magendo (black market) prices, there was little monetary incentive for farmers to produce a surplus unless they could sell at magendo prices. Furthermore, purchased agricultural tools, such as hoes and ox ploughs, became difficult, if not impossible, to obtain, even at magendo prices. Thus for many farmers both the incentive and the ability to increase output were absent, although recently the GOU has instituted a number of economic reforms, including floating the Uganda shilling (the U/Sh has moved from U/Sh 7.8 to 80.0 to the U.S. dollar) and most price controls have been lifted. For example, coffee prices were raised by

186%, cotton-150%, tea 296%, and tobacco 150% (see Annex K for details). As shown in Table 1, only a few crops such as cowpeas, field peas, soya beans, Irish potatoes and wheat actually increased in production. In general for all food crops combined, production in 1980 was down to 75% from 1971 levels, and the area cultivated declined to 68% of 1971 levels. These statistics invalidate earlier reports that the area under food production increased by about 4% per annum between 1970 and 1978.

This decrease in area cultivated can be attributed primarily to the scarcity of farm implements such as hoes and machetes, ploughs and pangas. As noted in a recent Assessment of the Agricultural Sector in Uganda, rarely "has a country found the cupboard so completely bare of agricultural inputs." Since the mid 1970's, the pent-up demand for hoes has been estimated in the millions. Currently, the MCM estimates that the demand for hoes is about 10 million. Given a population of about 14 million, of which only about half are adults, this estimate may be high. However, it is clear that hoes still constitute one of the most critical constraints to the resumption of agricultural production. Currently, the policy of the cooperative movement, which is recognized as the most efficient means of distribution of hoes within the country, is to allocate one hoe for every ten adults. This is somewhat less than one per household. Thus farm workers must await their turn for the hoe to carry out their regular agricultural labor. In normal times, seven of ten adults would have their own hoes so that they could work simultaneously. This ratio would place the demand for hoes at 5 to 6 million. No wonder, then, that the area under production has declined by 32% since 1971.

Even though hoes production and distribution constituted the primary emphasis of AID's CIP program to Uganda (Project 617-0101) in 1979, and has been supplemented by other donor imports of hoes, these hoes have scarcely begun to meet pent-up demand. AID assistance to hoes production has produced over 300,000 hoes to date with several hundreds thousand more in the pipeline. The cooperative movement estimates that about 95% of these hoes were successfully distributed among the rural population. (See Annex D, Exhibit 2). The EC has also imported one million hoes, and many were successfully distributed; however, many were exported through the magendo system, since exchange rates have been far out of line with black market rates (See Economic Analysis) and since an effective distribution system was not used. Until 50% to 75% of small farm workers in Uganda have hoes which they can utilize for production, it is unlikely that either food production or export-crop production can increase significantly.

Any analysis of the demand for hoes must take into account the useful life of a hoe, which obviously depends upon use. A good quality hoe such as the ones currently produced by Uganda Hoes, Ltd. and Ugma Steel, Ltd. with U.S. steel, can last 2 to 3 years. Poor quality hoes made with locally recycled steel last about half that time. Since small farmers are currently waiting their turn to utilize existing hoes, it is possible that the useful life will be shorter than the average. Thus the first constraint to agricultural recovery is hoes, and other similar farm implements such as shovels, pangas, ploughs, etc. Although the most versatile and frequently used farm implement continues to be hoes, all of these implements (some of which are substitutes) face similar situations of high demand and low supply.

Other constraints impeding the recovery of the agricultural sector, and with it, of small farm income, include limited access to good quality agricultural inputs such as seeds, fertilizer and sprays (primarily for cash crops); unavailability of supplies necessary for marketing and transport of agricultural produce such as sacks; lack of bicycles and spare parts and tires for the transport of agricultural produce to collection points or urban centers; limited transport over long hauls owing to shortages of gasoline, trucks, tires and spare parts, as well as inadequate maintenance of roads; a debilitated cooperative movement which traditionally was exceptionally active in input supply and marketing; and inadequate price incentives for production given the prevalence of magendo, although this should abate somewhat with the recent implementation of the GOU's economic and financial reform package (see Annex K).

Other constraints exist over the long term, such as research in small farm systems, improved technology, better marketing and transport, seed multiplication, etc. However, in view of the short term constraints which are primarily a lack of farm implements, and other inputs for production and marketing, the long term constraints merit little discussion. Basically the constraints to agricultural recovery can be summarized by a shortage of commodities and inputs, including spare and replacement parts, which are basic to the operations of the agricultural sector. In this respect, agriculture resembles other sectors of the Ugandan economy which are characterized by the same lack of commodities and supplies. Until this situation is rectified, there is little point in discussing long term constraints.

B. Constraints to an Effective Ugandan Cooperative Movement.

Over the past ten years, Uganda's cooperative movement has suffered from the mismanagement, arbitrary rule and lack of commodities and supplies that affected all sectors of the Ugandan economy. As agricultural production declined, especially in the cash crop sector, the cooperatives lost their primary functions and became decapitalized. Most of the services which they had effectively delivered to their members, including input supply, credit and marketing, were no longer required in the face of subsistence-oriented agricultural production and the lack of inputs to deliver. Apart from the dramatic decline in the demand for cooperative services, the cooperatives also suffered from the advent of magendo marketing systems and the cash-poor (or greedy) situation of the Government, which administered payment for agricultural goods through chits instead of cash, thereby discouraging even further marketing through cooperatives. The overall decline of the cooperative system resulted in the demoralization of cooperative staff, the loss of some staff, and an overall decline in the ability of the staff to deliver the services they once handled so effectively.

At the same time that the cooperative movement has lost its ability to provide many of its services to its members, new demands are being made on the system. Ugandan farmers desperately require access to farm implements and other inputs in order to resume production to 1971 levels and beyond. In 1979, AID selected the cooperative movement as the best possible vehicle for the delivery of hoes and other agricultural inputs to small farmers. The implementation of the AID CIP program has helped to rejuvenate the cooperative movement, through careful planning and supervision, to deliver these inputs to small farmers throughout the country. This has been done under extremely difficult security circumstances and shortages of gasoline supplies, tires and spare parts. That the cooperative movement has been able to perform so capably under these difficult circumstances is ample justification for continued support of the cooperative movement, not only for the delivery of hoes and other inputs, but for the resumption of the many services the cooperatives rendered to small farmers before the economy declined.

Agricultural Cooperative Development International (ACDI) has reviewed the constraints to an effective Ugandan cooperative movement, particularly as they relate to effective commodity distribution, and their detailed comments are presented in Annex H. As will be explained in Section III, the technical assistance and training components of this project

are directed primarily to overcoming constraints in the effective distribution of commodities, especially those which are A.I.D.-financed.

C. The Political and Security Situation in Uganda

In spite of security problems within the country, the situation has not affected the implementation of the current commodity distribution program. Officials from the Ministry of Cooperatives are able to travel to distribution points throughout the country. Furthermore, the audit and monitoring teams have had no problems in verifying the delivery of commodities. USAID personnel also are able to travel freely throughout most of the country to observe the operation of the program.

At the same time that the FY 79 CIP activity has moved forward, the GOU and USAID have successfully implemented an emergency program to rehabilitate the water and sewerage systems at Mulago Hospital. This project was virtually completed within a six-month period during which there was a change in government. Furthermore, CARE has been able to deliver some 4,000 tons of relief food supplies each month to drought affected Ugandans. Thus, while security and stability are major concerns, there have been no significant problems affecting our ability to implement select project activities.

D. A.I.D. Agricultural Sector Strategy

Since colonial times, the strategy for agricultural development in Uganda has been skewed by the premises which are presented below. Although these premises made are nowhere expressly stated, they are consistent with the three five-year plans which Uganda's Government developed between 1962 and 1976, and they remained, until recently, consistent with the Government's rehabilitation plans for the 1980's. In most respects, this is logical, because the Government perceived that this strategy would maximize the Government's access to foreign exchange earnings and revenue. These premises are as follows:

1. That the first objective of agriculture is to produce export crops in order to increase the Government's foreign currency earnings and revenues.

2. That the state of food crops, of national nutrition, and food security are secondary issues which small farmers can manage with minimum assistance from Government.

3. That livestock services are more manageable and productive if directed toward large-scale beef ranches and large dairies, both using exotic breeds of cattle, than if focused on small holdets having only a few head of cattle, widely scattered, and using breeds of low productivity.

4. That tractor mechanization, assisted by heavy government subsidy, is a desirable policy because it is "modern" and serves as favorable symbol for the Government in office.

Increasingly, the GOU has begun to recognize that current conditions in Uganda require a different approach. The lack of foreign exchange to support capital intensive agriculture, the paucity of trained agricultural experts and the extreme inflation in food prices has compelled the GOU to focus on immediate increases in small farm food and export crop production.

During a recent agricultural sector assessment in Uganda, A.I.D. determined that is could usefully complement and supplement the Government's new policies by emphasizing more the role of the small farmer as the principal producer of cash crops such as coffee and cotton, as well as of food crops without which the country cannot survive. This emphasis is especially appropriate in the recovery of the agricultural sector. Until this sector is capable of meeting the demand for domestic food supplies, Uganda's economy can scarcely survive, much less succeed in generating foreign exchange through agricultural exports.

Therefore A.I.D.'s agricultural sector strategy in Uganda is based on the following premises:

1. That the welfare of small farmers is central to the economic development of Uganda, since small farmers form the economic base of the country's primary and predominant production sector, agriculture.

2. That small farmers should be assisted to increase their food production, incomes, employment and the share of benefits they receive from their labor.

3. That small farmers should be assisted in livestock dairy production in order to increase the national food supply and enhance food security.

4. That the Government can best show its concern for national food supply and food security by assisting small farmers.

5. That inequities which exist among climatic regions, between sizes of land holdings and between urban and rural incomes can best be modified by assisting small farmers.

6. That overall, the U.S. assistance program should aim for growth of national income with concern for the equitable distribution of benefits.

The AID project which is proposed in this paper aims at assisting the GOU in supporting the rehabilitation and recovery of the small farm agricultural sector, so that normalcy can be regained within the Ugandan economy.

E. Other Donor Activity

The major donors active in Uganda at the present time are the multilateral donors, including the European Community, the United Nations Development Program, the World Bank, and the Internatioal Fund for Agricultural Development (IFAD). Most bilateral donors are involved with modest efforts involving emergency relief supplies such as food and medicines. The British are also involved in a police training activity. However, these donors appear to be standing by until the economy stabilizes and the security situation improves. Among the bilateral donors, the United States has taken on the largest program to date, and has been visibly successful in its implementation. While several donors are active in agriculture, most are concentrating on specific cash crops or on the drought-stricken areas of the country, particularly Karamoja. None are assisting the Ministry of Cooperatives, although the UNDP will be utilizing the cooperatives for the distribution of farm implements.

The major donor currently is the European Community which is implementing the $110 million pledged under the Lome I agreement. The Lome II agreement is still being negotiated, and will probably be about $120 million over a five-year period. About $20 million of the Lome I funds are being programmed in the agricultural sector through about five projects. These include projects to increase coffee and tea production, including the rehabilitation of the marketing and distribution systems for these commodities. The EC also has recently provided 105,000 hoes and seeds to the Karamoja area; however, this has not competed with the AID project. The EC also imported 1.1 million hoes in 1980, which were distributed through the Ministry of Agriculture.

EC's total commitment for training and technical assistance for all segments of Uganda's economy over a 5-year period amount to ECU 5.5 million (approximately $7.15 million);

-- of this amount the current program calls for ECU 1.0 million ($1.3 million) to be reserved for consultants, ECU 1.5 million ($1.95 million) to be reserved for rehabilitation of training institutes and the balance to be reserved for fellowships and seminars.

-- EEC wishes to expend its training and technical assistance funds primarily in support of coffee production and marketing;

-- the Department for Cooperative Development can expect to receive only a small portion of the total;

-- specific relevant requests include ECU 150,000 ($195,000) for rehabilitation at the Kigumba campus and ECU 25,000 ($32,500) at the Bukalasi and Arapai campuses of the Cooperative College;

-- none of this has been approved.

The EC had also financed a study of training needs in the agricultural sector, and is developing a large project to respond to these needs (see above). Recipients of training will include the Ministries of Agriculture, Fisheries and Animal Resources; Cooperatives and Marketing; the marketing boards; and private sector agricultural enterprises. The training proposed in the AID project will be closely coordinated with the EC project to ensure that they are complementary. It is anticipated that the AID project will commence significantly before the EC project, so that AID-financed training will be underway long before the EC plans are finalized.

The EC has also planned to finance the rehabilitation of one of the production lines at Uganda Hoes, Ltd., but had halted project discussions after one of its members objected since the company was expropriated from Chillington Hoes in England. Discussions among Uganda Hoes, the Ministry of Commerce and Chillington Hoes have continued over the past several months, and it appears that agreement has been reached. Therefore, this project will not provide any financial assistance to Uganda Hoes, Ltd, which will receive raw materials and a new production line from the EC.

The IFAD is preparing a project for implementation during the 1987 growing season. This $10 million program will finance applied research in food crop production along with a variety of agricultural inputs in seven districts in the area north and east of Lake Kyoga. While the IFAD team was most interested in increasing food crop production, it recognized that the districts included in the project area are major cotton growing areas. Thus with adequate price incentives, most inputs will be directed to cotton cultivation. The Ministry of Agriculture will implement the IFAD project.

The World Bank is implementing a $95 million commodity import program all of which has been released. Most of

these funds are being used for the purchase of spare parts and machinery for productive enterprises, and little is earmarked for agricultural production. Part of these funds will be used for new equipment for the sugar works with which Ugma is associated, but it is doubtful that the machinery will arrive in country or be installed within a year. None of the IBRD funds will be used for the procurement of raw materials for agricultural production.

The UNDP has several agricultural projects that have been designed or are being implemented in Uganda. One is helping rehabilitate the agricultural implements factory in Soroti. This facility produces animal and machine drawn plows. This project will not conflict with the AID-financed project which will provide implements for small holder agriculture. The UNDP is designing a project to provide basic agricultural implements to Uganda's farmers, and will be capitalizing on the success of the Ministry of Cooperatives in getting goods into the hands of Uganda's farmers. If the UNDP is able to arrange for the financing of the auditing and monitoring teams it will use the same system developed by USAID for the distribution of commodities. The UN plans to procure already assembled or manufactured implements abroad for import into Uganda, and thus will not be able to generate employment as under the AID projects. USAID/U and REDSO/EA are pleased that the UN is confident in the Cooperatives' ability to deliver inputs to the small farmers. The UN plans to import some 550,000 hoes, from Europe as well as financing the transport of 300,000 hoes procured by the COU but stranded in Mombasa for lack of hard currency to pay for overland shipping. The design team believes that the MCM and UCCU can absorb this additional activity.

III. DETAILED PROJECT DESCRIPTION

A. Goal and Purpose

The goal of the proposed project is to rehabilitate the agricultural sector in Uganda so that small farmers can increase agricultural production and their incomes through more productive employment. The recovery of the agricultural sector depends on many macroeconomic conditions such as adjustment in the valuation of the Uganda shilling, the elimination of black market operations and the overall recovery of the economy in terms of being able to produce food supplies and to import essential commodities and spare parts. These conditions are further discussed in the Economic Analysis. Although some macro issues such as price increases for agricultural commodities have recently been addressed, and the Government has floated the Ugandan shilling in June, the basic resources required to rehabilitate agricultural production are still lacking. Thus the goal of the project is to assist the Ugandan

Government in taking the basic steps required to re-equip Uganda's small farmers with basic farm implements and inputs, so that they can resume production to pre-Amin, and eventually higher levels.

The purpose of the project is 1) to increase agricultural production, especially food production, by supplying Uganda's small farmers with farm implements and other inputs and 2) to rehabilitate the cooperative movement so that it can resume essential services in support of the small farmer. The means which the Project will utilize to achieve the purpose will be to supply steel and limited equipment to UGMA Steel and Engineering Corporation so that it can produce hoes for small farmers; and utilize the cooperative movement to distribute hoes, seeds, gunny sacks for marketing and bicycles, tires and related spare parts for transportation. The training program and the technical assistance program (49 work-months) described below are designed primarily to strengthen the distribution channel of the Ugandan cooperative sector. The achievement of the project purpose will culminate in a strengthened cooperative movement which will be able to service new demands made by small farmers and which will be able to absorb future donor assistance in an effective manner.

The project will build on AID's prior effort in Uganda, the 1979 CIP Grant No. 617-0101. The considerable success of that project in terms of supporting domestic hoes production and distributing the hoes to the intended beneficiaries under extremely difficult internal circumstances has been widely recognized in the donor community. The proposed project will continue that effort with an expanded emphasis on the rehabilitation of the cooperative movement as a support structure for the agricultural sector. The proposed project is consistent with the 1981 CDSS and supports the basic tenets of the IMF credit. It also lays a firm foundation through which additional future donor assistance can be channeled to the agriculture sector.

The commodity component of the Project is shown below. The steel and two 100-ton presses shown in the PID and originally destined for Uganda Hoes Ltd. have been eliminated. These items will be provided to Uganda Hoes Ltd. by a credit from the I.C. The technical assistance and training program to be financed by the project was designed by ACDI in July 1981. The proposed program is seen as a transitional program in order to initiate a longer term technical assistance and training activity at a future time to rehabilitate the cooperative movement. The technical assistance and training program is of an 18-month duration, with the exception of two Ugandan candidates who will be sent to the United States for

two years to obtain graduate degrees - one in agricultural economics and the other in transportation.

This modest technical assistance and training package will complement the commodity segment of this project by strengthening the Uganda cooperative distribution channels to continue to move efficiently essential agricultural commodities into the hands of small farmers.

B. Outputs

1. Technical Assistance and Training. The following outputs are anticipated as a result of providing 49 work-months of technical assistance, some commodities, and local currency support:

(i) a planning unit installed in the Management and Development Section of the MCM;

(ii) a long-term cooperative development plan prepared;

(iii) a report prepared, with detailed recommendations, for improving procurement, handling, storage and distribution procedures;

(iv) 2 Ugandans receiving graduate degrees - 1 MS in ag economics and 1 MBA in transportation;

(v) 4-5 Ugandans in planning unit receive on-the-job training,

(vi) a forecast of commodity requirements and comprehensive procurement plan prepared;

(vii) an inventory of transportation assets owned by the cooperative sector and marketing boards prepared;

(viii) a report forecasting future transportation needs and a recommended plan for meeting these needs prepared;

(ix) a prioritized list of textbooks, reference books, periodicals, reproducing or printing equipment prepared and these items procured and delivered to the Uganda Cooperative College;

(x) 500 junior level field officers of MCM and primary society secretary/managers complete a one-week in-country seminary designed for them;

(xi) 2-3 Ugandan trainers trained to conduct seminars in (x) above;

(xii) approximately 50 cooperatives officers at the district and national cooperative union level complete a 4-week training seminar;

(xiii) 1-2 Ugandan trainers trained to conduct 4-week training seminar shown in (xii) above;

(xiv) 10 participants complete short courses (4-9 months) out-of-country in areas such as procurement, transportation management, distribution and merchandizing, project analysis and financial practices.

(xv) a report prepared dealing with the requirements for cooperative agricultural credit requirements and a recommended program for addressing these credit needs; and

(xvi) a report containing recommendations for improving cooperative banking procedures prepared;

2. Commodities. The commodity component of the project will render the following outputs: a) 515,000 hoes, b) 300 metric tons of seed (e.g. groundnuts, soy bean, and vegetable production) will yield approximately 40,000MTs of food production, c) 5000 bales of gunny sacks for marketing, d) 8000 bicycles and spare parts, and 100,000 bicycle tires and tubes, and e) three pick-up trucks for delivery of commodities. The equipment items required for Ugma Steel to continue to produce 375,000 hoes p.a. are three sets of hoe dies/punches, various grinding wheels, welding rods, an electric furnace, and an air compressor.

C. Inputs (See Table 2)

1. AID Inputs

The project will provide financial assistance in three key areas essential to the recovery of the agricultural sector in Uganda: 1) commodities, 2) training and 3) technical assistance. AID inputs are expected to total $5,000,000.

1. Commodities ($3,450,000). The following commodities will be financed:

a) 1,200 MT of steel billets and flats ($1,100,000). This steel will be utilized by UGMA Steel and Engineering Corporation (a private firm) for the production of hoes.

b) Hoe production equipment ($430,000). Three sets of hoe dies/punches, various grinding wheels, welding rods, an electric furnace and an air compressor will be procured to enable Ugma Steel to produce 375,000 hoes per annum.

c) Seed ($400,000). Improved seed varieties for groundnuts, vegetables and soy beans will be provided for small farmer use.

d) Bicycle and related spare parts ($810,000). These will be provided to small farmers to facilitate the transport of their produce to marketing centers.

f) Bicycle tires and tubes ($400,000). These will be provided to farmers whose bicycles cannot function owing to a lack of these items.

f) Pick-up Trucks ($40,000). Five 2.5 to 3.0 ton trucks will be provided to the cooperative movement to facilitate the distribution of hoes and other farm inputs.

g) Gunny sacks ($150,000). These will be distributed to small farmers to facilitate their marketing operations.

h) Miscellaneous ([illegible],000). These funds will finance other small items for small farmers or cooperative organizations.

2. Technical Assistance ($975,000 for 49 work-months of services). In view of the overwhelming technical assistance and training needs throughout the Ugandan cooperative sector, AID grant funds will be concentrated on a relatively narrow field of endeavor; that is, primarily in support of the commodity distribution system within the cooperative sector. In this manner mutually supporting activities can be assisted to a greater extent and benefits can be more readily identifiable. This section will generally describe the activities to be undertaken by individual consultants. The scope of work for the U.S. consultants who will implement this project is found in Annex 1. The following figure 1 presents a listing of advisory specialties and corresponding scheduled work program.

A full-time (18 month) Planning Advisor/team leader would assist in the establishment of a planning unit in the Management and Development Section (M&D) of MCM. The advisor will assist in the development of a long-range plan, analyze and prioritize potential cooperative development projects, and

coordinate and promote all external donor assistance to cooperatives. The Team Leader would coordinate and supervise the activities of the following short-term advisors under the project to ensure proper integration of efforts:

a. Distribution and Warehousing Specialist (6 months). He will review procurement, handling, storage and distribution procedures both for project and other donor financed commodities. He will prepare a report for MCM and AID with recommendations for improving the efficiency of the system. Working closely with the Planning Advisor/Team Leader, the M&D Section of MCM, and the Transportation Specialist, he will assist UCCU forecast types and volumes of required farm supplies and a comprehensive procurement plan. Additionally, he will prepare materials in his area of competence for presentation during the management seminars for primary societies and district unions (see training segment presented below).

b. Transportation Specialist (6 months). He will (1) review all of the transportation assets owned by the cooperative movement and marketing boards and determine whether they are well distributed and efficiently utilized; (2) forecast future transportation needs and recommend a plan for meeting these; (3) review transport alternatives to owning and operating motorized vehicles; (4) review rate structure and business operations of the Uganda Cooperative Transport Union (UCTU); and (5) study other problems which may impinge on the efficient provision of transport services to the cooperative sector.

c. Cooperative Education and Textbook Specialist (3 months). He will consult with the Uganda Cooperative College (UCC) faculty and examine the books and equipment on hand. This advisor will prepare a prioritized list of purchases of textbooks, reference books, periodicals, reproducing or printing equipment and other basic supplies and procure those items that will be most helpful in upgrading the level of education being provided by UCC.

d. Cooperative Management Training Specialist (4 months). He will work with Education Section of MCM and the UCA to design the short-term in-country seminars, select Ugandan trainers, prepare the training materials, select the venues, select participants and schedule the seminars. He will train approximately two or three Ugandan trainers to conduct these seminars.

e. Management Development Specialist (6 months). He will determine the educational needs of cooperative officers

and staff at the national cooperative union level, identify local resources, prepare a 4-week advanced management seminar, train 1-2 Ugandan trainers to conduct the seminars, and schedule the seminars.

f. Banking and Credit Specialist(s) - (3 months). The Specialist(s) would concentrate on estimating the present and projected agricultural credit requirement and to devise a recommended program to address this need. A review will be undertaken of the Uganda Cooperative Bank's operating financial procedures and recommendations made for improvement. An examination will also be made of the field delivery system and supervision and, again, recommendations made for its improvement.

g. Project Logistics Specialist (3 months). This Specialist will make all the arrangements for providing adequate support for the full-time and short-term consultants mentioned above. He will, for example, arrange for housing, furniture, supplies, equipment, etc. necessary to support the activities of the U.S. Consultant Team.

3. Training ($575,000). AID will finance:

(i)	tuition, travel, per diem, etc. for 2 participants in the U.S. for graduate studies (4 years)	$100,000
(ii)	same as (i) above for 10 participants in the U.S. and other countries outside Uganda for a total of 55 months of various short-term training.	240,000
(iii)	travel and per diem for in-country courses (1 week seminars) for 500 junior level cooperative officials and 50 4-week seminars for senior cooperative officials.	42,000
(iv)	textbooks and equipment for the Uganda Cooperative College (UCC)	50,000
(v)	teaching equipment and supplies for seminars in (iii) above.	42,000
(vi)	contingency (5%) and inflation (16%)	101,000

FIGURE 1. -- SCHEDULE OF TECHNICAL ASSISTANCE

Advisor	MONTH OF PROJECT 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	Total P.M.
Planning Adv.	Adv. Mgmt Sem.	18
Project Logistics Consultant		3
Coop Management Training Specialist	Coop Sem	4
Management Development Cons.	Adv Mgmt Sem.	[illegible]
Distribution and Warehousing Consultant	Adv Mgmt Sem.	6
Transportation Specialist	Adv Mgmt Sem.	6
Coop Education & Textbook Spec.		3
Banking/Credit Advisor		3
	Total Person Months	49

Key: ____ time in country
_ _ _ time in U.S.

Table 2

Detailed Cost Estimate of A.I.D. and Ugandan Contributions

By Fiscal Year

(in $000s)

Category	FY 82		FY 83		FY 84		Total	
Commodities 1/	A.I.D	GOU	A.I.D.	GOU	A.I.D.	GOU	A.I.D.	GOU
a. Steel	$ 1100	-	-	-	-	-	$1100	-
b. Equipment for Ugma Steel 2/	430						430	
c. Seeds	200	-	$200	-	-	-	400	-
d. Gunny bags	-	-	150	-	-	-	150	-
e. Bicycles, spare parts, Tires & Tubes	810	-	400	-	-	-	1210	-
f. Transport	40	-	-	-	-	-	40	-
g. Other	90	-	30	-	-	-	120	-
Technical 3/ Assistance	600	$50	375	$50			975	100
Training 3/4/	275	50	200	175	100	-	575	350
Labor & In-kind	-	800	-	600	-		-	1400
	$3545	$900	$1355	$ 825	$100	$125	$5000	$1850

1/ Costs for commodities were based on June 30, 1981 prices and adjusted 15% per annum for inflation and 10% for contingencies.

2/ Includes 3 complete sets of hoe dies/punches; various types of grinding wheels; welding rods; an electric furnace; and an air compressor.

3/ Includes Contingency of 5% and Inflation of 16%.

4/ Includes $42,000 of training equipment and supplies for in-country seminars.

IV. PROJECT ANALYSES

A. Technical Analysis

1. Ministry of Cooperatives and Marketing

Historically, the cooperative movement in Uganda was one of the most effective cooperative movements in Africa. As a result of the difficult economic and political circumstance of the 1970's, however, the movement has suffered from the decline of agricultural produce for exports, and the resultant lack of resources, both financial and human, to carry out its mandate to the small farmers of Uganda. An Organization Chart showing the structure of the Uganda cooperative sector and a description of activities within its components is presented in Annex J.

ACDI, at the request of USAID/Kampala, in July 1981 undertook a review of the Uganda cooperative sector to determine the current state of cooperative institutions and to ascertain felt needs and assign priorities with respect to cooperative training and technical assistance. The ACDI assessment of the constraints faced by the Uganda cooperative movement as it relates to the provision of services, particularly the procurement, importation and distribution of essential agricultural commodities, both finished and intermediate goods, the manufacture of agricultural implements, and the distribution of agricultural commodities to small farmers through normal cooperative channels is presented in Annex H.

The reader should bear in mind that the technical assistance and training requirements within the Uganda cooperative sector are enormous in both range and cost (see para B.2. below), and that the modest technical assistance and training program ($975,000 and $575,000 respectively) financed by this project has been designed to overcome some of the constraints described in Annex H. ACDI, in preparing the technical assistance and training program, took into account, inter alia, the capability of the MCM to implement this project and MCM's past performance under the 1979 AID $3.0 million CIP. They conclude that MCM has the ability to satisfactorily implement this project. USAID/Kampala and REDSO are in agreement with this conclusion.

The cooperative organization has operated with reasonable efficiency during the implementation of the recent AID CIP program to Uganda. The performance of the cooperative organization in delivering hoes and other supplies to small farmers has demonstrated that the cooperative movement is staffed with highly motivated personnel, which is the key ingredient to its successful rehabilitation to pre-Amin standards. The provision of training and technical assistance to the cooperative movement should

further strengthen the movement, which is to be a gradual development under the best of circumstances.

2. The Industrial Sector

Ugma Steel and Engineering Corporation Ltd. was founded in the mid-1960's as part of the Sugar Works complex in Lugazi, about 40 kilometers from Kampala. The Company employs over 300 persons and has three main business components: 1) it produces and repairs industrial machinery components and machinery parts for the Sugar Works factory; 2) it has a foundry (once one of the largest in East Africa) for the production of cast iron industrial products; and 3) it has a small agricultural implements production facility that makes hoes, spades, axes and pickaxes.

Under the AID CIP Grant, both Uganda Hoes Ltd. and Ugma Steel and Engineering Corporation have reportedly demonstrated that they are able to manufacture farm implements efficiently under the present conditions in Uganda. To confirm this fact a REDSO/EA team went to Uganda in August 1981 to review Ugma Steel's records and operations. Ugma Steel's hoe operation utilizes approximately 5-10% of Ugma Steel's total manufacturing operations, the largest being its foundry works. However, most of the manufacturing capacity of Ugma Steel is not being utilized for lack of equipment, raw materials and foreign exchange. The REDSO/EA team concludes, that with the equipment to be provided by AID under this proposed grant to rehabilitate Ugma Steel's hoe production line, Ugma Steel will be able to continue to produce 375,000 high-quality hoes for the foreseeable future. The REDSO/EA team verified that the production of implements which utilize AID-financed steel is being coordinated between Ugma Steel and MCM. There seems to be little doubt that Ugma Steel will repeat its fine performance under this project.

B. Institutional Assessment: The Cooperative Movement

1. Past Cooperative Movement Operations

During the first decade of independence, the cooperative movement in Uganda provided a variety of services to Uganda's farmers that were needed for the production and distribution of the country's cash and food crops. Services provided included making available agricultural inputs, technical assistance in crop production, extension of new agricultural information, credit for the procurement of inputs as well as capital expansion, the procurement and marketing of farm output, and transportation services. The cooperative movement operated through some 3,000 primary societies encompassing 1 million Uganda farm families. The

primary societies joined farmers growing a variety of crops for which they secured credit and inputs from the cooperatives as well as transportation and marketing of their crops. The primary societies were joined into 31 district cooperatives, which in turn were in supported by two apex organizations, the Uganda Central Cooperative Union (UCCU) and the Uganda Cooperative Alliance (UCA). The UCCU was an independent organization responsible only to its members. It operated as a business enterprise and was responsive to free market forces in the agricultural sector. The UCCU served as a farm supplier and had a network of supply outlets in towns and rural areas. The UCA was responsible for all educational, organizational and extension services for the cooperative movement.

The Ministry of Cooperatives and Marketing monitored the financial integrity of the cooperative movement and assisted the UCCU and UCA in providing the services for which they were responsible. For example, it helped secure foreign exchange for agriculture inputs and arranged for customs clearance for imported goods financed by the cooperative movement. It established standards for the audit of society records and ensured that the movement's financial regulations were adhered to. The Ministry helped the cooperatives to secure credit and operated as a buffer in the cooperatives' relations with the Government. A network of some 1,500 Cooperative Development Officers provided training and extension services to cooperative members and assisted in forming new primary societies.

2. Cooperative Movement Requirements

Aside from substantial transport, equipment, supplies, agricultural inputs, tools and implements (of which this project will finance a modest portion), the training and technical assistance required to make the Uganda Cooperative Movement effective in carrying-out the major responsibilities mentioned above is wide-ranging. It will be a slow and gradual process to restore the effectiveness of this institution to pre-Amin times.

In a recent study undertaken by the IT of the Ugandan agricultural sector, the following areas, among many others, were identified where assistance is needed to strengthen Ugandan Coops:

(i) Production and storage management
(ii) Cooperative management
(iii) Management accounting for cooperatives
(iv) Rural credit and savings schemes
(v) Consumer cooperatives
(vi) Upgrading skills of cooperative field officers
(vii) Inventory control and stores management
(viii) Purchasing, clearing and forwarding, distribution

management, importation and identifying procedures
(ix) Audit
(x) Production management in processing agricultural products
(xi) Credit

This project will provide modest resources to furnish a small amount of goods and services necessary to rehabilitate the Ugandan Cooperative Movement. It takes into account recent A.I.D. experience in Uganda and the ability of the MCM to satisfactorily implement this project.

The Design Team is confident that this Project as designed will strengthen the Ugandan cooperative structure and that, as this project is implemented, the ability of coops to absorb incrementally larger amounts of foreign assistance will be enhanced.

C. Financial Plan

1. Summary Cost Estimate and Financial Plan

The project costs are estimated at $6,850,000, of which $5,000,000 will be provided by AID. The following table indicates cost estimates for A.I.D. and GOU inputs into the project. Table 2 in Section II.C. provides a detailed cost estimate for AID and GOU inputs by fiscal year.

TABLE 1

Summary Cost Estimate and Financial Plan
(U.S. $000s)

	A. I. D.		G. O. U.	
	FX	LC	FX	LC
Commodities	$3,450	-	-	-
Training	524	$051 1/	-	$350
Technical Assistance	975	-	-	100
Labor & In-Kind	-	-	-	1,400
	$4,940	$051	-	$1,850

Note: These estimates include inflation and contingency factors.

1/ Per Diem, Travel, etc. for participants of in-country training program.

2. The GOU Contribution

Uganda is on the list of 25 relatively less developed countries (RLDC's). Coupled with the disastrous financial situation which Uganda faces today, it would have been a simple matter to include a waiver of the 25% contribution which the GOU is expected to make to this project. However, the project has been designed to maximize the GOU contribution through the provision of labor both for hoes and shovel production, and for the distribution of these inputs to the small farmer. Therefore the design team estimates that the contribution of the GOU will be at least 27% of total project costs, or $1,850,000. The labor which the Ugandan private sector (through UGMA Steel Engineering Corp.) will contribute is estimated to be over $1,500,000, since more than half the cost of producing hoes is labor, equipment, management and the overall infrastructure necessary to operate a manufacturing enterprise. For this reason, as pointed out in the economic analysis, the AID cost of providing hoes is very low compared to the cost of importing hoes, in which case AID would have to finance the entire cost of hoes production including labor and infrastructure costs, rather than the cost of the steel.

Other contributions of the GOU include salaries while cooperative staff are being trained, counterparts for AID-funded technical assistance, and wages and bureaucratic support costs of cooperative personnel who are involved in the distribution of hoes and other farm inputs financed under the project. As shown in Table 2 in Section II.C, these costs are estimated to be at least $1,850,000, or approximately 27% of total project costs.

3. Source and Use of Funds

The source and use of funds are indicated in detail in the aforementioned Table 2 and in summary in the above Table 3. Commodities account for approximately 69% of U.S. dollar costs, training 11% and technical assistance 20%.

The cost estimates used in this project for the A.I.D.-financed commodities shown in earlier Sections of this paper were developed by REDSO/EA's Supply Management Officer. Most of these commodities are expected to be received in Uganda by the end of 1982. Prices for these commodities were determined as of June 30, 1981 and adjusted 15% per annum for inflation and a straight 10% for contingency.

The cost estimate for 49 work months (approx. 4 years) of technical assistance was estimated on an <u>average</u> cost per work month of $19,900 for the entire 18-month life of the

technical assistance component of this project. The estimate includes salaries, international and local travel, overhead, 2 vehicles, 18 month rental of an office and guest house, furnishings and supplies, and inflation and contingency factors.

The costs of the training component were estimated as follows:

a) Long-term training (2 graduate degrees - 4 years of study at $25,000 per annum = $100,000);

b) Short-term out-of-country training (10 participants for a total of 55 months of study at $4,360 per month = $240,000);

c) In-country training seminars (550 participants for a total of 700 weeks of training at $60 per week = $42,000);

d) Materials and supplies for in-country training seminars ($42,000);

e) Textbooks and supplies and equipment for UCC ($50,000); and

f) Contingency and inflation factors of 5% and 16% respectively ($101,000).

4. Recurrent Cost Implications

This project does not contemplate the financing of local currency to hire any additional personnel to implement this project. This project will operate through the existing Ugandan cooperative structure.

Obviously, future local currency costs for repairs, maintenance, fuel, continued training of staff, and support for an expanding level of services, etc. will have to be borne by the GOU. These costs cannot be estimated at this time; neither can additional revenues generated be estimated, which result from the provision of hoes, shovels and commodities and the improved services to the small farmer provided by a stronger and more efficient operational agricultural cooperative movement in Uganda. Undoubtedly revenues, which could be substantial, would indeed be generated.

Every effort was made by the Design Team to minimize the recurrent burden to the GOU as a result of this project. The Uganda Shilling equivalent of $1.1 million of steel will be deposited in a Separate Special Account by Ugma Steel Ltd. to

be used to support activities within the Uganda cooperative sector. The price of hoes sold by the UCCU to primary cooperative members covers its distribution expenses plus a small profit. Also, to the extent that personnel in the Uganda cooperative structure are under-utilized or under-employed, this project will give the GOU a better return for its salary disbursements. The Design Team concludes, therefore, that the recurrent cost burden on the GOU from this project, in net terms, will, at worse, be minimal.

D. Economic Analysis

1. Analysis

The primary inputs which the project will provide in support of the agricultural sector include steel and heavy machinery for the production of hoes and farm implements; production inputs such as seed, produce sacks, and transport-related commodities such as bicycles, light trucks and spare or replacement parts. These inputs will impact upon the agricultural production cycle by facilitating both production and marketing. Since these inputs will be distributed through the cooperative system, it is not possible to analyze the end-use in terms of sublocation within Uganda. Furthermore, the Ugandan economy until recently continued to be characterized by major economic disequilibria, such as an inappropriate exchange rate with black market rates far above the official level, and severe supply and demand disequilibria for most commodities, so that accurate market prices cannot be established. In the absence of fundamental price data, it is meaningless to attempt to apply a cost-benefit analysis. Therefore, this economic analysis must be limited to a macro-economic analysis which focuses on the broad issues currently facing the economy.

The major macro-economic issues which face the Ugandan economy have been essentially the same since the deposition of Idi Amin. The major sectors of the economy continue to suffer from deep-seated malaise: commercial and export crops have been neglected, with established producer prices far below production costs, normal businesses have not been able to resume production or service functions owing to scarce foreign exchange and inappropriate exchange rates; supplies of commodities have been very limited, with access scarcely available except to those with special privileges, and the black market (magendo) has continued to provide the major means of existence for both income and access to goods and services for the majority of population who have not returned to a subsistence existence. The present government recently has taken bold measures to address the economic ills of the country (See 1, below and Annex F).

Within this macro-economic context, the proposed project seeks to focus directly on the agricultural sector by importing select inputs such as steel which are essentially to the production of farm implements, and other farm inputs without which production cannot resume. After a decade of virtually no injections of farm implements and other inputs, the goods (and transport services) provided under this project are essential to the rehabilitation of the agricultural sector so that it can respond to the economic stimuli which the Government is offering.

The project proposes to provide inputs to support local manufacturing capability where possible. From an economic point of view, this is the soundest approach which could be selected. Although the import of farm implements could possibly provide farmers with needed tools more rapidly, the import of steel provides the essential foreign exchange component and mixes it with local labor and management inputs. This approach not only serves to rehabilitate the manufacturing sector which supports the agricultural sector, but also multiplies the benefits of the project. As demonstrated in the previous CIP to Uganda, the economics of hoes production has been very favorable for both Uganda and AID. If AID had imported hoes during the first post-Amin project, each would have cost about $6.70 in Kenya, plus transport. Since AID provided only the steel, each hoe costs $1.67 in steel, with Uganda's private sector providing the balance at no cost to AID or the Government. The final cost of the hoes was $3.18. With good steel, the hoes manufactured in Uganda are the best hoes available in East Africa. Thus by providing inputs where possible, the proposed project maximizes the benefits of the project as well as its support for the manufacturing sector.

The project also maximizes the impact on the U.S. balance of payments. U.S. companies are able to provide steel, but they would not be able to export finished hoes.

2. Production and Pricing of Hoes

As mentioned in Section III.B.2 of this Paper, Ugma Steel is expected to produce approximately 375,000 hoes a year as a result of AID-financing $430,000 of hoe production equipment and $1.1 million of steel (approx. 1200 tons). A team from REDSO reviewed Ugma Steel's financial records and production operations.

Prior to the GOU's devaluation of the Uganda Shilling, hoes produced in Uganda were sold for U/Sh 35/= which included a profit for the manufacturer. The UCCU, in turn, sold those hoes to its members for U/Sh 50/=.

The REDSO team estimates that Ugma Steel could probably produce a hoe at current prices, including profit, for K/Sh 230/-. A discussion with MCM strongly indicated that the GOU would very likely approve of an UCCU sales price of U/Sh 250/- or 260/-, which would yield the cooperatives U/Sh 20/- or 30/-, enough to make a small profit and to cover its distribution cost. This price is acceptable to MCM.

MCM also stated that a selling price of U/Sh 250/- or 260/- was a reasonable price and that the majority of coop members can afford to pay this price. Many Ugandan small farmers are currently purchasing hoes at the individual magendo price of between U/Sh 600/- and 700/-.

To insure that reasonable prices for hoes are established by the GOU, a covenant will be included in the Grant Agreement (see Annex C) that the GOU will in fact establish prices for hoes that: a) cover all production costs and yield a reasonable profit for the manufacturers and, b) for the UCCU, one that covers all administrative and distribution costs, plus a reasonable profit, for the distribution of hoes throughout Uganda.

J. Recent GOU Economic Reform Program

Annex E presents the GOU's economic and financial reform program for 1981/82. This program, which is currently being implemented by the GOU, goes beyond the expectations of the IMF, IBRD, and other donors. The initiation of this dramatic reform program required "political courage" on the part of the GOU and speaks very well of the new government of President Obote. On the basis of these reforms, the IMF has granted the GOU a stand-by credit arrangement totalling SDR 112.5 million ($146.25 million).

The wide-ranging economic and financial reform program recently executed by the GOU obviates the need for a number of the conditions precedent (CP) and convenants, which were described in the PID, to be included in the Project Grant Agreement (PGA). The CPs and covenants which are proposed to be included in the PGA are minimal and are presented in Annex C, Draft Grant Authorization. The Acting AID Mission Director in Kampala has discussed the terms and conditions of the proposed AID PGA with appropriate officials of the GOU, and he foresees no obstacle to having a PGA duly signed prior to the end of this FY.

E. SOCIAL ANALYSIS

A comprehensive Social Soundness Analysis is presented in Annex M. In brief summary that analysis concludes that the general approach taken in this project has a high degree of sociocultural feasibility. The cooperative movement has supported small farmer development in the past and will undoubtedly continue to do so in the future. The commodities chosen represent simple, appropriate and well-understood technologies which have played a role in rural productive systems for many decades. Total direct beneficiaries are estimated at over 1,000,000 and 2,600,000 are estimated to benefit indirectly. From a social perspective this project is highly feasible and sound.

F. Environmental Analysis

The IEE recommended a negative determination which was approved by AID/Washington (see Annex E).

IMPLEMENTATION ARRANGEMENTS

A. GOU Executing Agency

The GOU Executing Agency under this project will be the Ministry of Cooperatives and Marketing (MCM).

As can be seen from the status of the Grant 617-K-012 (Annex D), approximately 1,580 MT of steel flats (for the production of hoes), 260 MT of steel billets (for the production of shovels, pick-axes, and axheads), 2 MT of vegetable seed, 9 vehicles (5 3-ton and 4 1-ton), 502 tyres and tubes, and 10,000 bicycles have been or are being procured. With the exception of the 10,000 bicycles which will be received and distributed by October 1981, all other items have been received and distributed.

The Audit Section of MCM was responsible for monitoring the marketing and distribution of A.I.D.-financed commodites under Grant 617-0101. USAID/Kampala has received monthly status reports on this activity from the above-mentioned Audit Section. These reports show that this activity is proceeding well, which has been verified to a limited extent by USAID site visits. A recent Audit Section report concludes with the statement; "Apart from isolated cases of malpractice, the project is heading for great success as revealed in reports submitted by the monitoring teams. Farmers all over the country have approved of this distribution system through Cooperatives and it is their sincere wish that all essential commodities intended for the needy ones should be channeled through these same organizations.

"Malpractice in the distribution system have so far been minimal mostly because farmers have much control and say over their respective societies . The Monitoring Officers are all out to ensure their success in this project as exemplified by their untiring efforts in covering virtually all the participating societies spread throughout the country."

Based on the MCM's performance to date, USAID/Kampala and REDSO/EA are confident that the MCM has the necessary staff, competence and motivation to successfully implement this project. In point of fact this project should be easier to implement than Grant 617-K-012. MCM now has experience with A.I.D. procedures and has gone through the detailed exercise of developing a comprehensive marketing and distribution plan.

B. A.I.D. Project Administration

USAID/Kampala will be primarily responsible for administering this project, with assistance from REDSO/EA on an as needed basis.

As mentioned repeatedly in this Paper A.I.D. Grant 617-0101 has been exceptionally well implemented under the circumstances. REDSO/EA played a substantial role in the design and implementation of that project because of the limited A.I.D. staff in Kampala. The level of continued REDSO/EA assistance will be a function of the staff level of USAID/Kampala.

C. Reports

1. Manufacturing Companies

The Uganda private sector company receiving AID-financed raw materials for conversion to final products will submit quarterly reports to the MCM and USAID.

These reports will contain the following information:

(i) quantities of raw materials received during the quarter and cumulative receipts to date;

(ii) production of final products from the above raw materials for the quarter and cumulative;

(iii) amount deposited in special separate local currency account to pay for raw materials during quarter and cumulative deposits, as well as amounts owing for deposit;

(iv) the sales prices charged the UCCU for the final products during the quarter;

(v) the number of final products sold to UCCU during the quarter and cumulative; and,

(vi) any other information requested.

2. Uganda Cooperative Central Union

The UCCU will submit quarterly reports to the MCM and USAID. These reports will contain the following information:

(i) list of A.I.D.-financed items received during the quarter and cumulative, as well as corresponding purchase prices and quantities;

(ii) list of items sold to Cooperative Unions (to be individually identified in the report) during the quarter, as well as corresponding sales prices and quantities;

(iii) an accounting of receipts and disbursements in a separate UCCU account for all transactions related to A.I.D.-financed commodities;

(iv) this accounting will reflect quarterly activities as well as comulative; and,

(v) any other information requested.

2. The Audit Section of MCM

The audit Section will submit monthly reports to the Permanent Secretary (PS) on the implementation of the MCM Marketing and Distribution Plan for A.I.D.-financed commodities. No changes are envisioned in the format and content to the reports currently being submitted by the Audit Section under A.I.D. Grant No. 617-K-012. It is expected that the Audit Section's monitoring task will be rendered easier with the availability of the quarterly reports described in 1. and 2. above.

4. The MCM

All local currency generations emanating from the sale of A.I.D.-financed commodities will be deposited in an MCM separate special account. It has been agreed that the use of the local currency from this account will be exclusively directed toward strengthening the Ugandan cooperative movement. Therefore, the MCM will provide USAID with quarterly reports, which, inter alia, will include:

(i) the local currency deposited during the quarter, which identifies the amount of commodities sold to whom, as well as cumulative deposits;

(ii) a listing of individual expenditures during the quarter, together with a brief concise explanation for each expenditure; and,

(iii) a narrative of project progress during the quarter, which identifies problems and bottlenecks and planned MCM resolutions.

D. Financing Arrangements

1. U.S. Dollars

The items to be procured under this project are similar to those procured under A.I.D. grant No. 617-K-012. The GOU is familiar with the Letter of Commitment (L/Comm.) and Letter of Credit (L/Credit) financing procedures. Consequently, the L/Comm./L/Credit procedures will be continued and followed for the most part under this project, except in particular procurement instances where it would be quicker and more advantageous to utilize the A.I.D. Direct L/Comm. procedure. No delays are anticipated in the procurement of goods and services under this project due to the unfamiliarity of the GOU with A.I.D. U.S. dollar financing procedures.

2. Local Currency

Approximately $51,000 of AID grant funds will be used to finance per diem and travel costs related to the in-country training program.

The previous Reports section has shown how local currency generations will be deposited into separate special accounts of the MCM and UCCU. Accountability for local currency generations using separate accounts will be greatly simplified and the above entities have experience with these accounts. No problems are anticipated which would delay project implementation due to use of the special account.

E. Procurement Plan

The GOU has procured similar commodities under A.I.D. Grant 617-K-012 as those to be procured under this project. A.I.D.'s competitive procurement procedures will be

adhered to under this project. In the case of commodities, the GOU will adhere to A.I.D.'s Regulation No. 1 and Handbook 15 guidelines, as the GOU has successfully followed these procedures under A.I.D. Grant 617-K-012. The commodity segment of this project will, therefore, follow program procedures. With assistance from SER/COM and the REDSO/EA Supply Management Officer, the GOU has the capability to procure all commodities required for the project in accordance with A.I.D. procedures and regulations.

The authorized source of procurement will be A.I.D. Geographic Code 941 countries, with the exception of the vehicles covered by the source waiver, included as Annex F which will be of Code 935 source.

It is not anticipated that any imported shelf-items will be procured locally. In the event that such items are necessary during the implementation of this project, such procurements will be minimal and will be carried out in accordance with the A.I.D. rules applicable to imported shelf-item procurement. We suggest that the imported shelf-item rules be extended to include Kenya.

As shown in the following Implementation Schedule, it is expected that the commodities financed under this grant can be procured and received within eighteen (18) months from the date of signature of the Project Grant Agreement.

F. Contracts

Annex 1 contains a scope of work for technical services required under this project. As described earlier the level of effort required for this project is estimated at 49 work months and the duration of the proposed contract for services will be 18 months. Only one full-time (18 months) advisor - a Planning Advisor/Team Leader - is contemplated and all other advisory services will be provided on a short-term basis, of which the maximum length of short-term services is not expected to exceed six (6) months.

A request for technical proposals will be advertised in the Commerce Business Daily and proposals will be reviewed jointly by the GOU and USAID/Kampala, with assistance from REDSO as and if required. Once the proposals are rank-ordered, the selected U.S. firm will be invited to come to Nairobi to negotiate an agreement. It is the intention of AID to enter into a Cooperative Agreement with a U.S. entity to implement this project. REDSO/EA Contract Officer will be the authorized agent to issue the Agreement, utilizing the procedures set forth in Handbook 13, Chapter 6.

G Evaluation Plan

Two evaluations have been scheduled for this project. The MCM and UCCU will be invited to participate actively in both evaluations. The first evaluation is scheduled for December 1982, approximately at mid-term in project implementation. The U.S. consultants would have developed a data base at this time by which to measure project progress (see last page of Annex I, U.S. Consultants Scope of Work). By this time approximately all A.I.D.-financed commodities should have arrived in Uganda and the training component and short-term assistance provided under the project will be well under way. The performance of private sector companies in manufacturing agriculture-related tools and implements, the adequacy of the coops performance in marketing and distributing commodities, the impact of the training and short-term technical assistance, can all be measured. If there are deficiencies, the evaluation team will recommend remedial actions which can be undertaken within the remaining life of the project. It is anticipated that the evaluation team will be comprised of a cooperative specialist, an agriculturist, and possibly a financial analyst provided by AID/Washington, REDSO/EA and/or the U.S. private sector.

The final evaluation will evaluate past performance and also focus on the improvements made to the Ugandan Cooperative Movement in order that future financial assistance can be used optimally. Lessons learned should be clearly described and recommendations made on particular areas of concentration for future A.I.D. and/or other donor assistance.

It is estimated that approximately three weeks of field work will be required for each of the evaluations; or a total of six weeks.

H. Implementation Schedule

The following is the implementation schedule of this project:

CY	Month	Action	Responsibility
1981	Sept	PP submitted to REDSO/EA for review	USAID/U
	Sept	PP approved by REDSO	REDSO
	Sept	Project Grant Agreement signed	USAID/U and GOU

	Oct	IFBs issued for commodities	USAID/U, REDSO and GOU
	Oct.	PIL No. 1 issued	USAID/U and REDSO
*	Oct.	RFP issued for technical assistance	USAID/U, AID/W REDSO
	Dec.	CPs satisfied	GOU
**	Dec.	Awards made for commodities and L/Coms opened	USAID/U, REDSO and GOU
1982	Jan	Contract awarded for technical assistance	USAID/U, GOU REDSO
***	Feb.	Consultants arrive in Uganda	
	May.	Training Program Initiated	USAID/U and GOU
	Sept	First implements manufactured and commodities distributed	UGMA,MCM and UCCU
	Dec.	Commodities (other than hoes/Steel) delivered in country	
	Dec.	First Project Evaluation	USAID/U, REDSO, AID/W, GOU,MCM, UCCU
	Dec.	All implements and commodities distributed	
1983	July	Training program completed	
****	July	All TA completed and all consultants departed	
1984	Jan.	Final Project Evaluation	USAID/U, REDSO, AID/W, GOU
	Sept.	PACD	

* Consultants will arrive in-country as needed during the life of this project.

** This is the date the first awards and corresponding L/Coms will be opened. It is expected that this process will continue through September 1982.

*** This is the date by which all project commodities will a rive in-country. It is expected that commodities will be arriving all during the period Dec.1981-Dec. 1982.

**** Except for 2 participants undertaking graduate studies in the U.S.; their training will end June 1984.

A N N E X E S (Uganda 617-0102)

2

Annex A.

TELEGRAMS: "ECSTATIC", KAMPALA.
DIRECT TELEPHONE NOS.: MINISTER 41539.
PERMANENT SECRETARY 32759.
GENERAL 50981.
TELEX: 61117 ECONOMY UGA.

IN ANY CORRESPONDENCE ON THIS SUBJECT PLEASE QUOTE NO. ED/C/1854/2/11

THE REPUBLIC OF UGANDA

MINISTRY OF PLANNING AND
ECONOMIC DEVELOPMENT.
P.O. BOX 7003.
KAMPALA, UGANDA.

25th May, 1981

H.E. Gordon R. Beyer
Ambassador of the United States of America
KAMPALA

Your Excellency,

As you know we have been working closely with the United States Agency for International Development mission to Uganda concerning the reconstruction and development needs of the country.

One of our highest priorities is to boost the production of food and cash crops. In order to do this we have determined to use the Ministry of Cooperatives and Marketing as the means to supply basic agricultural implements to Uganda's farmers. At the same time we want to increase the output of agricultural implements being manufactured by private and parastatal companies within the country.

We have recently developed with USAID a $ 7.5 million programme of assistance for the rehabilitation of the cooperative movement and for the supply of urgently needed agricultural commodities. This project would consist of $1.5 million in short term technical assistance, $1 million in training for cooperative officials, and $5 million in raw materials and other items needed by Uganda's farmers. The purpose of this letter is to request formally that the Government of the United States provide us with a grant for up to $7.5 million to finance this project.

Accept, Mr. Ambassador, the assurances of my highest regard.

J. Geria
PERMANENT SECRETARY

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number:

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Inputs	Implementation Target		Assumptions for providing Inputs
a) Steel	a) 1,200 MT's of Steel	a-i) Project Monitoring	1. Necessary funds are in a timely manner.
b) Seed	b) 4 MT's of maize, groundnut and soy bean seed		2. Commodities to be procured are available in quantities required.
c) Gunny Bags or similar	c) 5,000 bales		3. Training Program prepared by GOU and approved by A.I.D. is timely completed.
d) Bicycle tires and tubes	d) 100,000 tires and tubes		4. Availability of skills required by this project are readily available for tapping in the U.S.
e) Transport	e) 3 1/2 ton pick-ups		
f) Bicycles and spare parts	f) 8,000 Bicycles and spare parts		
g) Training	g) $575,000		
h) Technical Assistance	h) $975,000		

Project Outputs	Magnitude of Outputs		Assumptions for Achieving Outputs
a) Hoes manufactured and distributed	a) 515,000 hoes manufactured and distributed ($1,530,000)	a-f) Monthly reports of Audit Section of MCM and periodic visits of USAID/K staff.	1. Security situation in Uganda does not collapse.
b) Seeds distributed to farmers	b) Seeds distributed to approx. 54,000 small farmers ($400,000).	MCM reports	
c) Gunny sacks distributed to small farmers	c) Approx. 2,500,000 gunny bags or similar distributed to small farmers ($150,000).	MCM reports	
d) Bicycle tires and tubes distributed to small farmers	d) 100,000 bicycle tires and tubes distributed to small farmers. Approximately 8,000 bicycles to be sold to Coop members ($1,210,000).	MCM reports	
e)Five 2.5 to 3.0 ton trucks	e) ($40,000).		
f) a planning unit installed in the Management and Development Section of MCM.	f) Entire TA package $975,000	MCM reports.	
g) a long-term cooperative development plan prepared.			
h) a report prepared, with detailed recommendations, for improving procurement, handling, storage and distribution procedures.			

i) 2 Ugandans receive graduate degrees - 1 MS in ag. economics and 1 MBA in transportation.	$100,000
j) 4-5 Ugandans in planning unit receive on-the-job training.	
k) a forecast of commodity requirements and a comprehensive procurement plan prepared.	
l) an inventory of transportation assets owned by the cooperative sector and marketing boards prepared	
m) a report forecasting future transportation needs and a recommended plan for meeting those needs prepared.	
m) a prioritized list of textbooks, reference books, periodicals, reproducing or primting equipment prepared and these items procured and delivered to the Uganda Cooperative College.	$50,000
o) 500 junior level officers of MCM and primary society secretary/managers complete a one-week in-country seminar designed for them.	o) and q) $84,000, including materials and supplies for training

p) 2-3 Ugandan trainers trained to conduct seminars in o) above.

q) Approximately 50 co-operatives officers at the district and national co-operative union level complete a 4-week training program.

r) 1-2 Ugandan trainers trained to conduct 4-week training program shown in q) above.

s) 10 participants complete short courses (4-9 months) out-of-country in areas such as procurement, transportation management, distribution and merchandizing, project analysis and financial practices. $240,000

t) a report prepared dealing with the requirements for cooperative agricultural credit requirements and a recommended program for addressing those credit needs, and

u) a report containing recommendations for improving cooperative banking procuredures prepared.

PROJECT AUTHORIZATION

Name of Country: Uganda

Name of Project: Uganda Food Production Support Project

Number of Project: 617-0102

1. Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Uganda Food Production Support Project (the "Project") for the Republic of Uganda (the "Cooperating Country") involving planned obligations of not to exceed Five Million United States Dollars ($5,000,000) in grant funds over a two (2) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing certain foreign exchange and local currency costs for the Project.

2. This Project will provide assistance to the cooperative movement in Uganda through financing of short-term technical assistance, training and agricultural inputs, implements and raw materials. The assistance will be directed toward strengthening the Ministry of Cooperatives and Marketing and Uganda Cooperative Central Union's ability to plan a cooperative strategy, to better manage and account for scarce human and financial resources, to better provide agricultural inputs, implements, and marketing services to small rural farmers, to foster small-scale private agriculture-related industry, and to provide a firm basis for further institution building.

3. I hereby authorize the initiation of negotiations and execution of the Project Agreement(s) by the officer to whom such authority has been delegated in accordance with A.I.D. Regulations and Delegations of Authority, subject to the following terms and conditions together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in countries included in A.I.D. Geographic Code 941 except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as

A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or the Cooperating Country.

b. Conditions Precedent

(1) Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement(s) to finance agricultural inputs, implements, and raw materials, the Cooperating Country will furnish in form and substance satisfactory to A.I.D.:

(a) formal assurances that prices charged by private sector firms for manufacturing farm tools, implements, and related agricultural products are such that these prices cover real capital costs and generate a fair return to capital.

c. Covenants

The Cooperating Country shall covenant in substance as follows:

(1) will endeavor to ensure that adequate quantities of petrol will be furnished to primary cooperative societies and district unions as are necessary for the distribution by them of A.I.D.-financed and other commodities and to market the farmers' agricultural production.

(2) that no pesticides will be procured or used in support of this project without an additional evaluation acceptable to AID which will include a risk/benefit evaluation of the proposed pesticide use in accordance with AID's current environmental procedures.

d. Waivers

Based on the justification set forth in Annex J, I hereby approve an origin waiver from AID Geographic Code 000 (United States) to Code 935 (Special Free World) in the estimated amount set forth in the Annex to permit the purchase of Project vehicles as set forth in the Annex. I hereby certify that (1) special circumstances exist to waive and do hereby waive the requirements of Section 636(i) of the Act, and (2) that exclusion of procurement from Free World countries other than the Cooperating Country and countries included in Code 935 would seriously impede attainment of U.S.,

foreign policy objectives and objectives of the foreign assistance program.

e. Other

Based upon the successful procedures established in implementation of FY 79 Commodity Import Grant 617-K-012 by the Cooperating Country, I hereby authorize implementation of that portion of the Project financing agricultural inputs, implements, and raw materials utilizing A.I.D. procedures set forth in A.I.D. Handbook 4, Non-Project Assistnce, and A.I.D. Handbook 15, A.I.D. Financed Commodities.

Signature: _____

_____
Authorizing Officer

_____
Office Symbol

UGANDA GRANT CIP 617-K-012
([illegible] $)

Annex D
Exhibit [illegible]

[illegible]	RECEIVER OF GOODS/SERVICES	OBLIGATING DOCUMENTS	AMOUNT EARMARKED	ACTUAL DISBURSEMENT	AMOUNT TO BE REDUCED	[illegible]	[illegible]
Steel Plate [illegible]	Uganda Hoes	L/COM 617-K-201 Amendment 1- Decreased L/COM $59,252.59	$[illegible]	[illegible]			[illegible] Highway [illegible] freight forwarder, [illegible] receivership 25 [illegible] 81. Kenya Customs Officials [illegible] not allow [illegible] being [illegible] after being into receivership. Custom officials released the steel for movement on March 10,81. Uganda Hoes and Ministry for Cooperatives are now issuing a contract to Highway Carriers move the steel by road and payment for storage. A new custom bond may be needed.
Inland Freight, bond, etc. to move above steel	Uganda Hoes	L/COM 617-K-203	$136,140.94 (Ksh 993,828.87)	Partial Payment $86,065.99			Nakuline was paid for all [illegible] services in moving the steel except for rail transport cost and storage fee.
AID Emblems	Uganda Hoes	P.O. REDSO 617-0012-P-RE-0002-00	$827.86				Emblems received.
Steel Billets (121.386MT)	Ugma Steel	L/COM 617-K-204	$85,167.50	$84,971.85	$195.65		on-the-high-seas
Steel Billets (235.545MT)	Ugma Steel	L/COM 617-K-205	$185,937.50	$175,161.58	$10,775.92		Steel rec'd by Ugma. Transport cost, truck, Ksh20[illegible],000. Ugma will pay transport cost.

BEST AVAILABLE DOCUMENT

10

UGANDA GRANT CIP 617-K-012
($Million $)

COMMODITY	RECEIVER OF GOODS/SERVICES	OBLIGATING DOCUMENTS	AMOUNT EARMARKED	ACTUAL DISBURSEMENT	AMOUNT TO BE REDUCED	[illegible]
	Uganda Cooperative Union	PIO/C 617-012-[illegible]-90001	$270,000	$261,173.97	$8,826.03	
Vegetable Seeds (2 tons)		P.O. REDSO 617-004	$164,954.11 (Ksh1,211,430)	$156,123.08		Uganda Cooperative [illegible] rec'd the seeds.
Vehicles 5 each 3-ton 4 each 1-ton		P.O. REDSO 617-003	$105,045.89 (Ksh721,835)	$105,045.89		Uganda Cooperative [illegible] rec'd the vehicles.
Tires/Tubes 502 T/T	Uganda Cooperative Union	PIO/C 617-012-4-00002	$125,000	$123,532.27	$1,467.73	Uganda Cooperative [illegible] rec'd the T/T.
		P.O. REDSO 617-005 (freight cost)	$27,793.88	$27,793.88		
		P.O. REDSO 617-006 (commodity cost)	$95,739	$95,738.39		
Bicycles/Spares 8000 bicycles	Uganda Cooperative Union	L/COM 617-K-202	$1,100,000	($ 719,088+ Bank charges)		Award made to State Trading Co. of India. Contract $719,088 for bicycles and spares. Letter of Credit issued for contract amount and banking charges. FR 2 forms to reduce L/COM by $350,000.
Advertisement of bicycle IFB		PIOUNN (USAID/Bangladesh)	$163.72	$163.72		
			$2,909,206.93			

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Ref: MC/E.145

MINISTRY OF CO-OPERATIVES.
AND MARKETING,.
P.O. BOX 7103,
KAMPALA.

5th May, 1981.

REPORT ON USAID DONATED HAND HOES AND SEEDS

As of 30th April, 1981, 11,876 cartons (296,900 pcs) of first grade hoes have been sold to farmers all over the country through cooperatives. Currently production at Uganda Hoes Ltd; has come to a halt due to lack of the hoe-billets still lying in Mombasa and thus sales of the same to farmers have been interrupted.

It is hoped that USAID will ensure quick shipment of these hoe-billets to Jinja in order to have production resumed as early as possible so that farmers acquire hoes to be able to cultivate both food and cash crops now that rains are on throughout the country.

Sales of the above stated 11,876 cartons (25 hoes e carton) of hoes have been effected as follows:-

1. Wamala Cooperative Union Ltd.				352	cartons
2. Kakumiro	"	"	"	410	"
3. Teso	"	"	"	1152	"
4. Lango	"	"	"	833	"
5. South Bukedi	"	"	"	1182	"
6. Busoga	"	"	"	1890	"
7. Bugisu	"	"	"	636	"
8. East Mengo	"	"	"	1485	"
9. North Mbale	"	"	"	244	"
10. Ramyoro	"	"	"	186	"
11. West Mengo	"	"	"	2264	"
12. S.West Nile	"	"	"	478	"
13. Madi	"	"	"	163	"
14. W.Nile Tobacco		"	"	601	"

Since the first phase of the project involving a number of Unions and Societies has proved a success, it is suggested that Cooperative Unions all over the country be allowed to participate in the ensuing projects. Due to the excellent distribution system existing in the Cooperatives, Government has decided that donated commodities intended for the farmers be channelled through Cooperatives who ensure that goods so donated reach intended beneficiaries.

/ EDP

[illegible] provided for distribution by USAID have been donated and sold to farmers as indicated in the attached allocation [illegible] number of the same were agreed upon as follows:-

...../2

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PRICE LIST FOR (USAID) SEEDS

ITEM (100 GMS. TINS)	COST PRICE	WHOLESALE PRICE	RETAIL PRICE
ONION RED CREOLE	42.65	55.00	70.00
CARROT CHANT	26.80	35.00	45.00
EGGPLANT B.B.	49.50	60.00	80.00
CABBAGE P.H.D.	21.90	30.00	40.00
TOMATO MARGLOBE	69.90	85.00	110.00
TOMATO HONEYMAKER	82.55	100.00	130.00
CUCUMBER ASHLEY	34.60	45.00	60.00
TOMATO RUTGERS	74.85	90.00	120.00
EGGPLANT F.H.	46.95	60.00	80.00
CAPSICUM YOLOWANDER	71.45	90.00	120.00

F U N D S:

Out of the Shs. 447,000/= earmarked to cover monitoring expenses, Shs. 238,477/50 have been used leaving a bank balance of Shs. 208,522/50 which is likely to cover expenses to be incurred during the second phase of sale of USAID hoes. It has been decided by Government that ex-factory price of a hoe be fixed at Shs. 38/50 each and that the farmers buy the same at not more than Shs. 50/= each.

TRANSPORT

Out of the nine trucks provided by USAID to be used in distributing and monitoring the donated commodities, one small pick-up has been stolen and has up to now not been recovered.

Lists indicating spare parts requirements have been submitted to USAID and it is hoped that the same will be delivered soon in order to have repairs and replacements done on the vehicles.

Members of monitoring teams are experiencing a problem in securing petrol to be used while monitoring distribution and sales of commodities. It is therefore, suggested if possible USAID provides the petrol in order to alleviate the fuel shortage currently being experienced in the country. Once petrol is availed to monitoring officials, they are beyond doubt going to execute their work more efficiently and effectively.

(William Okoroi)
PROJECTS COORDINATOR

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U.S.A.I.D. VEGETABLE SEED DISTRIBUTION PROPOSAL

REVISED PLAN.

Distribution is based on demand and agronomical suitability

UNION	Tomato Marglobe 2118 x 100 gms	Tomato Rutger 300 x 100 gms.	Tomato M/Maker 3000 x 100 gms	Cucumber 500 x 100 gms.	Cabbage P.D.H. 9857 x 100	Eggplant F.H.B. 2495 x 100 gms.	Onion Red Creole 7613 x 100 gms.	Carrot 1000 x 100 gms.
Nyakatonzi	115	52	140	58	500	120	1100	60
Kakumiro	-	-	140	-	250	120	200	20
Buruli	-	-	100	-	250	120	200	20
Bunyankole K.Un.	50	-	50	-	50	20	50	20
Bunyoro	-	-	140	-	250	120	200	20
Masaka	180	-	140	58	250	120	200	20
Coop. Dt.AUCCU Str	156	9	120	7	207	40	213	20
East Mengo	230	51	140	58	750	120	300	40
West Mengo	230	34	140	87	900	120	300	40
Busoga	230	51	140	58	750	120	200	40
South Bukedi	230	35	140	58	750	115	600	40
North Mbale	-	-	100	-	250	120	200	40
Bugisu	230	34	140	58	1000	120	800	80
Teso	-	-	100	-	250	120	200	20
West Acholi	-	-	140	-	250	120	200	20
Lango	-	-	140	-	250	120	200	20
South W. Nile	-	-	100	-	250	120	200	20
Madi	-	-	100	-	250	120	200	20
S.W. Nile Tobacco	-	-	100	-	250	120	200	-
Kigezi Veg. Grs.	230	34	140	58	1500	120	1200	120
Selci	-	-	140	-	250	120	200	40
Min. Agr.Young Fmr	100	-	100	-	100	40	100	50
Agr. Enterprises	50	-	100	-	100	-	100	50
Jezza Ltd.	50	-	50	-	50	20	50	50
Masaka Coop. U.Ltd	50	-	80	-	100	40	100	50
Min. of Culture	50	-	80	-	100	40	100	50
Min. of Education								
TOTAL	2181	300	3000	500	9857	2495	7613	1000

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Waiver Control No. ___

ACTION MEMORANDUM FOR ASSISTANT ADMINISTRATOR FOR AFRICA

From : Alexander R. Love, Director, REDSO/EA

Subject: Vehicle Procurement Waiver (Source/Origin)

1. Problem: Approval is requested for a procurement source/origin waiver for vehicles from AID Geographic Code 935 (Special Free World), as described below:

A Cooperating Country:	Uganda
B. Authorizing Document:	Project Grant Agreement
C. Project:	Uganda Agriculture Sector
D. Nature of Funding:	Grant - Development Assistance
E. Description of Goods:	Five one and one-half ton to three ton pickups and spare parts.
F. Approximate Value:	$40,000
G. Probable Procurement Origin:	Code 935 Countries
H. Probable Procurment Source:	Kenya

2. Discussion: Section 636(i) of the Foreign Assistance Act of 1961, as amended, prohibits AID from purchasing motor vehicles unless such vehicles are manufactured in the United States. Section 636(i) does provide, however, that "...where special circumstances exist, the President is authorized to waive the provision of this Act in order to carry out the purpose of the Act." Handbook 1, Supplement B, provides that commodities procured under grants to RLDCs must be procured from countries included in Geographic Code 941, unless a waiver is obtained. The Handbook provides that a waiver from Code 941 to Code 935 may be granted for example, when there is an emergency requirement for which non-AID funds are not available and the requirements can be met in time only by [illegible] of non-U.S. manufactured vehicles, or in such [illegible]

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determined to be critical to the success of project objectives. Authority for making the special determination and waiver has been delegated to the Assistant Administrator for Africa in accordance with Delegation of Authority No. 40..

The Government of Uganda has requested AID assistance (1) to increase agricultural production by assisting small farmers with farm implements and other agricultural inputs and (2) to rehabilitate the cooperative movement so that it can resume its support of small farmers. The above vehicles will be used by the Ministry of Cooperative and Marketing officials to increase their assistance in the distribution of agricultural inputs and monitoring of AID-financed commodities to the primary societies in rural areas.

Presently, there are no U.S.-manufactures or foreign-manufactured vehicle sold in Uganda, so vehicles required for this project should be able to be supported such as spare parts from countries around Uganda. Also, the vehicle should be compatable with vehicles presently used by the Ministry of Cooperatives and Marketing which were AID-financed under CIP Grant 617-K-012. Those vehicles purchased under CIP Grant 617-K-012 were authorized for purchase from Kenya. In keeping with the same type of vehicles, the Ministry of Cooperatives and Marketing will be able to purchase more spare parts for their money as well as keep the number of spare parts on-hand to a minimum.

Accordingly, it is our view that special circumstances exist which justify waiving the origin requirements under Section 636(i) and source/origin requirements generally set forth in Handbook 1, Supplement B.

3 Recommendation: it is recommended 1) that you conclude that special circumstances exist justifying waiver of the requirement of U.S. manufactured vehicles under Section 636(i) and 2) that you certify that exclusion of procurement from the source requested herein would seriously impede attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program.

APPROVED: _____

DISAPPROVED: _____

DATE: _____

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? — NO

2. FAA Sec. 111. Has particular attention been given those programs, projects, and activities which tend to integrate women into the national economies of developing countries, thus improving their status and assisting the total development effort? — YES.

3. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported — NO

through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

4. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not dominated or controlled by the International Communist movement? YES.

5. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? NO.

6. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? NO.

7. FAA Sec. 620(a), 620(f), 620D; Continuing Resolution Sec. 511, 512 and 513; ISDCA of 1980 Secs. 717 and 721. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? (Food and humanitarian assistance distributed directly to the people of Cambodia are excepted). Will assistance be provided to Afghanistan or Mozambique without a waiver? Are funds for El Salvador to be used for planning for compensation, or for the purpose of compensation, for the confiscation nationalization, acquisition or expropriation of any agricultural or banking enterprise, or property or stock thereof? NO.

8. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? NO.

9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? NO.

10. FAA Sec. 620(k). Does the program furnish assistance in excess of $100,000,000 for the construction of a productive N/A

enterprise, except for productive enterprises in Egypt that were described in the Congressional Presentation materials for FY 1977, FY 1980 or FY 1981?

11. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? — NO.

12. FAA Sec. 620(m). Is the country an economically developed nation capable of sustaining its own defense burden and economic growth and, if so, does it meet any of the exceptions to FAA Section 620(m)? — NO.

13. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, — N/A

a. has any deduction required by the Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by AID Administrator?

14.	FAA Sec. 620(q); Continuing Resolution Sec. 518. (a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is the country in default exceeding one year on interest or principal on any U.S. loan under a program for which the Continuing Resolution appropriates funds?	(a) Funds will not be obligated until Uganda is no longer in violation of 620(q). (b) No.
15.	FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	N/A This is a Development Assistance Grant.
16.	FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral	NO

assistance agreements been negotiated and entered into since such resumption?

17. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?	State/IO Advies that Uganda is not two full years in arrears in its UN dues, and therefore not deliquent with respect to the first sentence of Article 19, U.N. Charter. Thus, there is no 620(u) violation at this time. State 194118, 23 July 1981.
18. FAA Sec. 620A; Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?	NO.
19. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	NO.
20. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards?	NO.

Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty?

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 102(b)(4). Have criteria been established and taken into account to assess commitment progress of the country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant mortality, (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment and (6) increased literacy.

Yes to the extent applicable under this Project.

b. FAA Sec. 104(d)(1) If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, assistance to urban poor and through community-based development

Not appropriate at this time.

programs which give recognition to people motivated to limit the size of their families?

2. Economic Support Fund Country Criteria. N/A

a. FAA Sec. 502B. Has the country (a) engaged in a consistent pattern of gross violations of internationally recognized human rights or (b) made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

b. FAA Sec. 532(f). Will ESF assistance be provided to Syria?

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

d. FAA Sec. 620B. Will ESF be furnished to Argentina?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

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

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution Unnumbered; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?	(a) Project description was included in AID's FY 1981 Congressional Presentation on Farm Production Support. (b) Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

	(a) Yes. (b) Yes.

3.	FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N/A
4.	FAA Sec. 611(b); Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?	N/A
5.	FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	No. Not a Construction Project.
6.	FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No.

7.	FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) N/A. (b) Will strengthen private sector production of agriculture-related products. (c) Will specifically strengther the Uganda Cooperative Movement. (d) N/A. (e) Yes See (b) above. (f) N/A.
8.	FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Most commodies will be furnishe from the U.S. All technical assistance will eminate from the U.S. It is anticipated that a good portion of the training will be done in the U.S.
9.	FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	Uganda has serious foreign exchange problems and printing local currency just exacerbates inflation. The GOU contribution in in-kind, which is most appropriate under the circumstances.
10.	FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and,	NO.

if so, what arrangements have been made for its release?

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

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

B. FUNDING CRITERIA FOR PROJECT

Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, — N/A. See 1.b.

especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

Development Assistance Grant Funding is used to finance this Project.

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries

(a) The trust of this project is to increase agricultural production.

(b) Increased small farmer agricultural production will lead to improved nutrition for the people of Uganda; and

(c) This project together with the economic reforms planned by the GOU of which some are included as conditions precedent (see Annex D), will strengthen the GOU's food position, that is, more food will be available in Uganda at reasonable market prices, an improved marketing and storage of crops by the cooperatives will enhance Uganda's food reserve position.

through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (i) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

N/A.

(4) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (ii) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.	N/A.
(5) [106; ISDCA of 1980, Sec. 306] for energy, private voluntary organizations, and selected development activities; if so, extent to which activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves; and (c) a cooperative program in energy production and conservation through research and development and use of small scale, decentralized,	N/A.

renewable energy sources for rural areas;

(ii) technical cooperation and development, especially with U.S. private and voluntary or regional and international development, organizations;

(iii) research into, and evaluation of, economic development process and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small laborintensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.) — N/A.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which — Yes.

the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?	
e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?	NO.
f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	See B.1.b.(1) above.
g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes. This is a principal objective of this project.
2. Development Assistance Project Criteria (Loans Only)	
a. FAA Sec. 122(b). Information and conclusion on capacity of the country to	N/A.

repay the loan, at a reasonable rate of interest.

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

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? N/A.

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

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

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

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

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

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be YES.

	financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably procured in U.S.)	
5.	FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?	YES.
7.	FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services be furnished from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	YES.
8.	International Air Transport Fair Competitive Practices Act, 1974. If air transportation of [illegible]	YES.

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property is financed on grant basis, will provision be made that U.S. carriers will be utilized to the extent such service is available?

9. Continuind Resolution Sec. 505. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? YES.

B. Construction N/A.

1. FAA Sec. 601(d). If capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interests?

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

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million? N/A.

C. Other Restrictions

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

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

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

4. Continuing Resolution Sec. 514 If participants will be trained in the United States with funds obligated in FY 1981, has it been determined either (a) that such participants will be selected otherwise than by their home governments, or (b) that at least 20% of the FY 1981 fiscal year's funds appropriated for participant training will be for participants selected otherwise than by their home governments? — (a) No. (b) Yes.

5. Will arrangements preclude use of financing:

a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization?	N/A.
b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?	N/A.
c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes.
d. FAA Sec. 662. For CIA activities?	YES.
e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained.	YES.
f. Continuing Resolution Sec. 504. To pay pensions, annuities retirement pay, or adjusted service compensation for military personnel?	YES.
g. Continuing Resolution Sec. 506. To pay U.N. assessments, arrearages or dues.	YES.
h. Continuing Resolution Sec. 507. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to	YES.

multilateral organizations for lending.)	
j. Continuing Resolution Sec. 509. To finance the export of nuclear equipment fuel, or technology or to train foreign nationals in nuclear fields?	N/A.
j. Continuing Resolution Sec. 510. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	NO.
k. Continuing Resolution Sec. 517. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?	N/A.

Annex G

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? — Yes.

2. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? — No.

3. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not Dominated or controlled by the International Communist movement? — Yes.

4. FAA Sec. 620(e). If assistance is to the government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? — No.

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? — No.

6. FAA Sec. 620(a), 620(f), 620D; FY 80 App. Act. Sec. (511, 512, and 513.) Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? Will assistance be provided to Afghanistan or Mozambique without a waiver? — No.

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7. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or agression?	No.
8. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?	No.
9. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?	No.
10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,	N/A.
a. has any deduction required by the Fishermen's Protective Act been made?	
b. has complete denial of assistance been considered by AID Administrator?	
11. FAA Sec. 620; FY 80 App. Act Sec. (518.) (a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds?	No.
12. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	N/A This is a Development Grant.

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13. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? — NO.

14. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? — Uganda is actually known to be in arrears on its U.N. obligations

15. FAA Sec. 620A, FY 80 App. Act, Sec. (521.) Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism? Has the country granted sanctuary from prosecution to any individual or group which has committed a war crime? — No.

16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA? — No.

17. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, unless it is a "nuclear-weapon State" under the nonproliferation treaty? — No.

DEVELOPMENT RESOURCE CRITERIA FOR COUNTRY ELIGIBILITY

Development Assistance Country Criteria

1. FAA Sec. 102(b)(4). Have criteria been established and taken into account to assess the significant progress of country in effectively involving the poor in development, on such indices as: (1) increase in agricultural productivity through small-farm labor intensive production, (2) reduced infant mortality, (3) control of population growth, (4) equality in income distribution, (5) reduction of unemployment, and (6) increased literacy? — Yes to the extent applicable under this Project.

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b. FAA Sec. 104(d)(1). If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, and assistance to urban poor?

Not appropriate in this Grant.

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PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 80 App. Act Unnumbered; FAA Sec. 634A; Sec. 653(b). (a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure)?	Project description was included in AID's FY 1981 Congressional Presentation on Farm Production Support.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes. (b) Yes.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N/A
4. FAA Sec. 611(b); FY 80 App. Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?	N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	No. Not a Construction Project.
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No.

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7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) N/A; (b) will strengthen private sector production of agriculture-related products (c) will specifically strengthen the Ugandan Cooperative Movement; (d) N/A; (e) yes - see (b) above; and (f) N/A.
8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Most commodities will be furnished from the U.S. All technical assistance will emanate from the U.S. It is is anticipated that a good portion of the training will be done in the U.S.
9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.	Uganda has serious foreign exchange problems and printing local currency just exacerbates inflation. The GOU's contribution is in-kind, which is most appropriate under the circumstances
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes.
12. FY 80 App. Act Sec. [521]. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	N/A

H. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?	N/A See 1b.
b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include any applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)	Development Assistance Grant Funding is used to finance this project.
(a) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which	(a) The thrust of this project is to increase agricultural production, generate income and employment opportunities for small farmers; (b) increased small farmer agricultural production will lead to improved nutrition for the people of Uganda; and (c) this project together with the economic reforms planned by the GOU of which some are included as conditions precedent(see Annex D), will strengthen the GOU's food position, that is, more food will be available in Uganda at reasonable market prices an improved market and storage of crops by the cooperatives will enhance Uganda's food reserve position.

activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, (a) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research. N/A

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities. N/A

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves. N/A

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(ii) technical cooperation and development, especially with U.S. private and voluntary, or regional and international organizations;

(iii) research into, and evaluation of, economic development processes and techniques; N/A

(iv) reconstruction after natural or manmade disaster; N/A

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development

c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

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

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? No.

FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. See B.1.b.(1) above.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes. This is a principal objective of this projec

2. Development Assistance Project Criteria (Loans Only)

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

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

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102? N/A

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? NO.

STANDARD ITEM CHECKLIST

A. Procurement

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

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

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

4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? **Yes.**

5. FAA Sec. 608(a). Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. **Yes.**

6. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services from private enterprise, be furnished on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? **Yes.**

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7. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? — Yes.

8. FY 80 App. Act Sec. [505]. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States? — Yes.

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? — N/A

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

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million? — N/A

C. Other Restrictions

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

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

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

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4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.? **Yes.**

5. Will arrangements preclude use of financing:

a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization? **N/A**

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

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

d. FAA Sec. 662. For CIA activities? **N/A**

e. FY 80 App. Act Sec. /504/. To pay pensions, etc., for military personnel? **N/A**

f. FY 80 App. Act Sec. /506/. To pay U.N. assessments? **N/A**

g. FY 80 App. Act Sec. /507/. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending.) **N/A**

h. FY 80 App. Act Sec. /511/. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? **N/A**

i. FY 80 App. Act. Sec. /515/. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **N/A**

[redacted]

CONSTRAINTS TO EFFICIENT COMMODITY DISTRIBUTION

1. General Discussion. With a limited budget, training and technical assistance should be focused on improving the efficiency of the commodity distribution system. However, this system is viewed in a broad context which includes the ancillary services needed to maintain an efficient delivery system such as: planning, supervision, auditing, education and training. A number of major constraints to efficient commodity distribution have been identified -- some of which can be addressed by technical assistance and training and some of which cannot. These constraints are discussed below under the general categories of: sector planning, agricultural commodity distribution network, education and training, agricultural finance, and cooperative management advisory services. A technical assistance and training plan to address some of these constraints is described in subsequent sections of this paper.

Before passing, a word about agricultural marketing is in order. There is an apparent lopsidedness in a program which concentrates on input distribution to the exclusion of product marketing considering that they are both part of a circular process. In defense it can be pointed out that marketing is not being entirely ignored. USAID is planning a study of the way commodity marketing boards are constituted and how they reach decisions concerning product pricing. In addition the EEC is engaged in a major effort to rehabilitate coffee production and marketing channels while the Commonwealth is engaged in a similar activity in support of cotton. Food crops, in response to high prices, seem to be finding there way to market. Having said this, however, it must be admitted that the principal reason for concentrating on input delivery systems is the budgeting restraint imposed on the program.

2. Sector Planning. Emphasis on sector planning at this stage is not intended to mean that government should be controlling the activities of cooperatives as for instance telling them what they should market, at what prices to purchase or sell or to whom to sell. Nothing could be more destructive to the sound rehabilitation of Uganda's agricultural economy. An open, competitive market will point the way to proper resource utilization. However, it is obvious that cooperatives are in need of help and the Department is responsible for promoting cooperative activities. Since resources available for this task are far short of the need, it is extremely important that the Department have a clear conception of which activities it

ought to be promoting -- why and how. This planning activity does not apply solely to commodity distribution, but it is as important for this function as for any other. No project is an island and its true worth is measured by its contribution to the whole.

2.1. No Full-Time Planning Unit Exists. Planning is currently being done on an ad hoc project-by-project basis drawing heavily on personnel of the Management and Development Section who have other routine functions to perform. There is no continuous operation of gathering data and testing hypotheses. When a project comes along which requires analysis there is usually insufficient time available to develop data before a decision is required. Consequently, political pressure, both domestic and donor, exerts an undue force on the activities of the Department. The result more nearly resembles a quilt than a map. To be in a position to resist such external influences the Department must know precisely what it is trying to achieve and why.

2.2. Potential Development Projects Not Well Analyzed. The Department has no dearth of projects to present to government or external donors, but these projects seem to float in space with no anchor. The potential donor is left with the uneasy feeling that the entire project is to be a gift from beginning to end and that nothing will happen unless the donor makes it happen. Some of the questions that the Department ought to be asking about potential projects are the following. How does the proposed project relate to overall development goals? How does it relate to the Department's plan for cooperative promotion? Who will benefit and to what extent? What resources can the beneficiaries of the project bring to bear on it? Do the intended beneficiaries want the project enough to contribute materially to its achievement? What resources can the Department bring to bear on the project. What priority does the Department attach to the project as compared to others? What other domestic resources can be mobilized in support of the project? What elements of the project can be best supplied only by external donors? Why? Which donor is best suited to make the identified contribution? Why?

When the Department is in a position to perform the type of analysis discussed above on a routine basis, it will be in a better position to meet its own objectives with domestic resources as well as to attract external resources from a variety of donors.

2.3. Donor Assistance Not Aggressively Pursued. The "Report of the Committee on the Reorganization of the

operative Movement in Uganda, 1979" recommends that donor assistance be coordinated with the Management and Development Section and goes on to say:

> "Effective coordination of technical assistance can be achieved on the basis of a sound and extensive foundation of information and research. All potential aid donors and administrators should have at their disposal as much data as possible on the local context in depth and detail; national needs and priorities; the development plans of the government, efforts and resources available to other donors in the area, etc. This will avoid bottlenecks, overlaps, duplications, etc. and will ensure that cooperative efforts are integrated into overall plans for economic and social development."

To this should be added the observation that for the next several years donor assistance may represent a significant portion of the Department's total resources. Competition for available funds will likely be intense. Those organizations which best understand the motivations and idiosyncracies of various donors will fare best. Those which are capable of presenting well analyzed projects which relate to an overall development plan will attract funds. Considering the potential benefits to be gained, the Department appears to be devoting too little of its resources to this pursuit.

b. Agricultural Commodity Distribution Network

The constraints to the efficient operation of the distribution network are of course those which relate most directly to the Commodity Import Project and the proposed Food Production Support Project. Some of the more obvious constraints are discussed below.

3.1. Foreign Exchange in Short Supply. During the Amin years economics chaos reigned. Foreign exchange always a scarce commodity, was diverted from agriculture to military and other nonproductive uses. As foreign exchange earnings from agricultural production declined, the real price paid to farmers for their produce was reduced to allow the government to capture a wider margin in terms of foreign exchange. This further reduced agricultural production until subsistence farming and coffee smuggling became the order of the day. While the current administration is commited to the revival of the agricultural economy, the old adage "it takes money to make money" is still true. This explains the warranted preoccupation of most external donors with the supply of agricultural inputs, processing equipment and transport. The task, however, is gigantic considering that the pipeline is

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virtually empty. It is made much more difficult by the fact that the cost of energy has increased many times over during Uganda's period of economic decline. Many developing countries in Africa which have not suffered Uganda's setbacks are, nevertheless, finding it difficult to meet their fuel bills from their normal foreign exchange earnings. There are no easy answers. The Ugandan people must be prepared psycologically to participate in a slow, austere program of nation-building requiring unity, stability, law-and-order, and singularity of purpose. The alternative is a perfectual subsistence existence.

3.2. Cooperative Procurement Institution Undercapitalized. Setting aside the general question of foreign exchange availability, the further question remains whether the cooperative procurement organizations will be able to come up with the domestic currency needed to finance a major import program. Past programs have been modest, reflecting the overall agricultural activity level, but such organizations were able to make a living primarily because they were able to use their influence to obtain Ugandan shillings at the official rate which was less than one-tenth of the market rate. The Uganda Cooperative Central Union, for instance, imported a record high Shs. 35.6 million of agricultural inputs during 1979-80. This represented some $5 million worth of goods, a modest amount for a national supply cooperative one must admit. Today, however, after devaluation of the shilling, the same bundle of goods would cost approximately Shs. 350 million. Needless to say, UCCU does not have this magnitude of working capital. Furthermore, the Cooperative Bank is in precisely the same boat. Such organizations must work much harder and turn over their goods much more often if they are to survive. This requires at a minimum free and rapid access to foreign exchange. Even at that it is difficult to imagine such organizations playing an expanded role in the provision of agricultural inputs without a major infusion of external capital.

3.3. Government Pricing Policies Could Be Self-Defeating. In general, the government has been quite progressive lately in terms of allowing prices to seek their own level. Unfortunately, there seems to be a tendency to make a special case for agricultural inputs. This is understandable since the government would like to see increased agricultural output and thus is promoting the use of inputs. There is an extreme danger in this reasoning however. Selling inputs too cheaply is similar to eating one's seeds in a bad year. Once the seeds have been eaten, how will the next crop be grown? If a farmer is permitted to buy his hoe so cheaply that the supplier can not stay in business, where will the next hoe come from?

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3.4. Transportation May Be Limiting. It is impossible for a layman on a brief visit to determine whether there are sufficient vehicles available to the cooperative movement to perform the job at hand, especially when the job at hand has not been quantified and the total availability of vehicles is not known. Most cooperative leaders interviewed, however, seem to think that transportation is a limiting factor to increased production. If this is so, it clearly could result in a critical bottleneck to foil other projects. Clearly a major study is required to determine the magnitude of the job to be performed, to inventory the assets, to identify deficiencies, and to propose a strategy to maximize the efficiency of available resources.

3.5. Farmer Awareness and Motivation May be Lacking. You can lead a horse to water but you can't make him drink, and you can't make a farmer buy agricultural inputs unless he wants to. And you can bet that he won't want to buy unless he can make some money on the deal. During the last ten years, many farmers dropped out of the market economy because they found they just couldn't make any money at producing cash crops. In some cases farmers have complained that they were paid for their crops in chits which were never redeemed. The question now is whether the farmers are ready to rejoin. A lot will depend upon their confidence in the system.

3.6. Readiness Of Primary Societies and District Unions Is Doubtful. The term readiness as used here is intended to encompass an entire panoply of conditions not least of which is motivation. The personnel of the primary societies and district unions are the front-line troops in any effort to deliver agricultural inputs to the farmers and if they are not ready, the job won't be done. For the last several years they have had little stock to handle. Their skills have been allowed to deteriorate. They have been largely out of communication with one another, with higher level cooperative staff, with government supervisory staff. They have not been closely supervised due to lack of transportation. They have been rarely audited. They have been forced to grow their own food and some to rely on magendo to survive. In some cases, they have not filed reports or posted books in years. They may not even have the appropriate forms. They are the best resource available for commodity distribution, but are they ready? The success of the Commodity Import Project seems to argue that they are (at least to some degree--ready and that they can be motivated on a "special-project" basis. Whether they are ready to resume business-as-usual is a different, nontrivial question.

4. Education and Training. Basic education is, of course, a step or two removed from the actual process of commodity distribution, especially when it is aimed primarily at government supervisors who may not be able to supervise due to lack of transportation rather than at commodity handlers themselves. Nevertheless, basic education in cooperative business administration is probably essential to the long-run survival of the entire cooperative system of which commodity distribution is only a part, but an inextricable part. In like manner, special training cources for cooperative personnel in cooperative philosophy and general business principles are probably as important as courses in the technology of distribution. Primary constraints are discussed below.

4.1. Lack of Funds. The normal certificate and diploma courses offered by the Cooperative College have resumed, though under adverse conditions, and the Government appears to be committed to continued funding of these. Funds to provide specialized courses and seminars to refresh skills and provide motivation for cooperative personnel are, however, lacking.

4.2. Lack of Facilities. The Cooperative College was badly looted and vandalized during the War of Liberation and [illegible] aftermath. Almost nothing in the way of equipment survived. Electrical generators were destroyed and while one has been repaired it is operated only rarely to conserve [illegible]. Instructors do not have the means to reproduce class notes or even test sheets. The library has dwindled and is [illegible] out of date.

Of 14 regional cooperative training facilities known as Cooperative Wings and originally constructed with AID money only two are judged to be capable of housing and feeding students. Very few other organizations have suitable facilities to rent.

4.3. Trainers Need Refreshing. Basically, the cooperative trainers assigned to the Cooperative College and the various districts are quite competent. The Department has always taken education and training seriously and has [illegible] a fine group of trainers. Their only problem, as a group, seems to be that several years of isolation has left them somewhat out-of-date and out-of-practice.

5. Agricultural Finance. During the Commodity Import [illegible] farmers were not hard pressed to come up with the money to purchase their hoes and other inputs. However, things have changed. The Government has announced a major devaluation and release of price controls. In general, farmers

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will now be required to pay the true costs of their inputs. This may appear to be a bitter pill to swallow, but at least inputs should become available. Of what use is a low price when the commodities themselves are in artificially short supply? There is no good reason why USAID commodities should be distributed at less than market price. Funds generated should be used to strengthen the capital position of the normal cooperative institution so that they can resume farm supply operations on a routine basis. Neither USAID nor GOU nor any other donor can afford to embark on a major subsidy program for Uganda farm supplies and such would only lead to a misallocation of resources. In the end, the farmer must pay the price for his inputs and if he is offered a fair price for his product he will do so willingly and with best effect. However, the farmer's liquidity position may not be strong enough to afford the inputs he needs at devaluation prices. If this is so, agricultural finance will be required to permit the flow of commodities to the farm.

5.1. Capital Is Lacking. There is far from sufficient capital in the system at present to finance crop production. Over the last ten years, the activity level has dwindled and inflation has drastically reduced the purchasing power of existing capital. Perhaps some resources of the savings and credit societies can be mobilized for agricultural purposes and perhaps increased interest rates will provide the Cooperative Bank with new resources, but probably the flow of agricultural inputs will be retarded unless outside capital is provided.

5.2. The Credit Delivery System Is Rusty. The Cooperative Credit Scheme was once one of the most successful such programs in Africa, but the scheme deteriorated with the general economic decline. The cooperatives are not now geared up to extend the credit, the Cooperative Bank is not administratively ready to handle a major effort in this regard and the Savings and Credit Section of the Department for Cooperative Development is understaffed and without means of transportation or travel funds for field supervision.

5.3. Lack of Well-Trained Loan Officers. The key to a successful program of agricultural credit is well trained loan officers. The Cooperative Bank is understaffed and undertrained for a major increase in their agricultural financing activities.

6. Cooperative Management Advisory Services.

6.1. District Unions not Receiving Management Advice. The district cooperative unions represent one of the most critical links in the distribution network. It is they who must assess the requirements of the primary societies and place bulk orders. It is they who must carry the bulk of the inventory. For the most part the management staff are well trained and competent but they have nowhere to turn for special managerial assistance nor do they have the benefit of regular, objective professional appraisal. This is a function of the Management and Development Section but there is inadequate staff to cope with 33 districts and the section suffers from the same lack of transportation and travel funds that permeates the entire Department.

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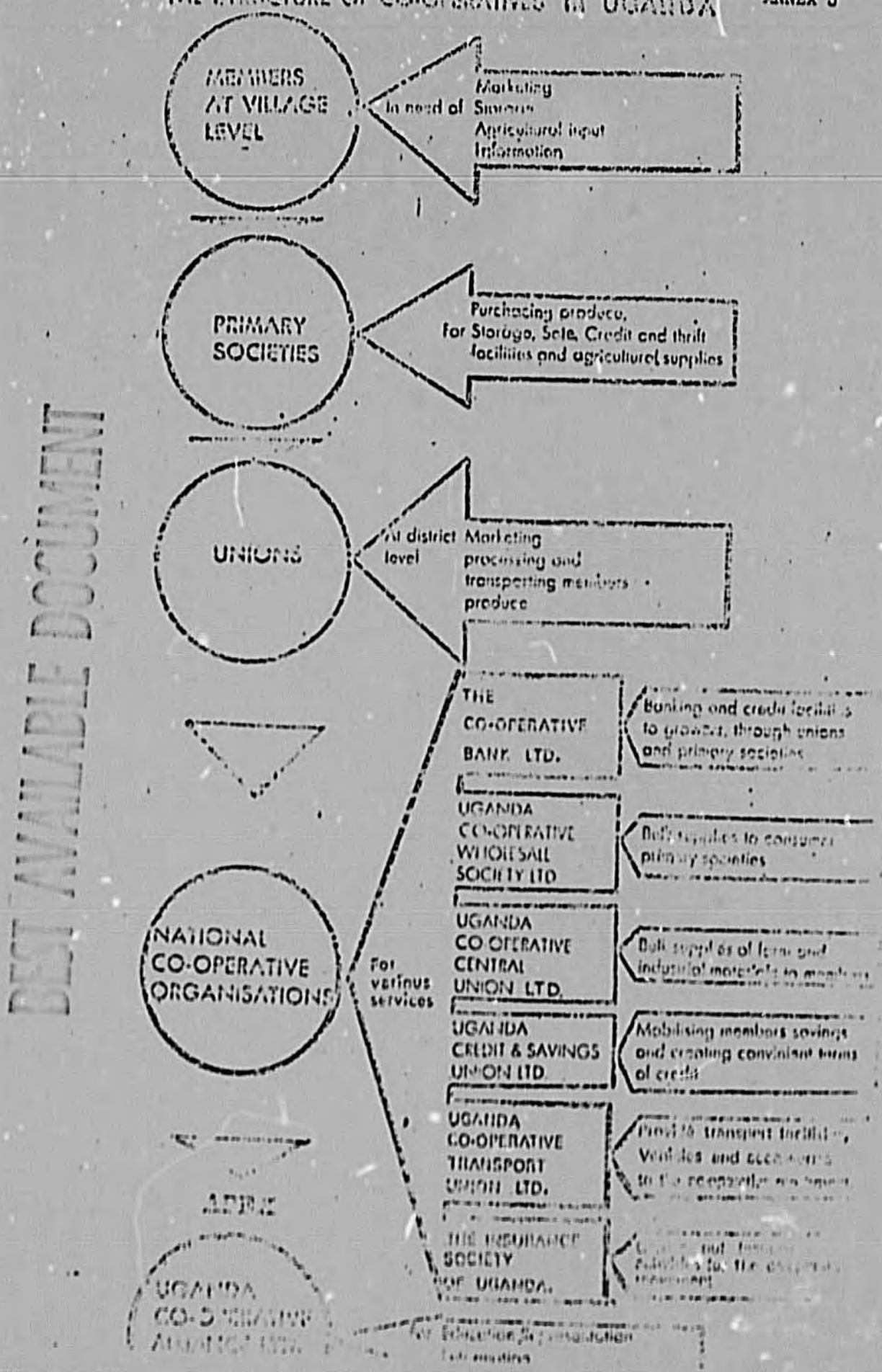
THE STRUCTURE OF CO-OPERATIVES IN UGANDA

ANNEX J



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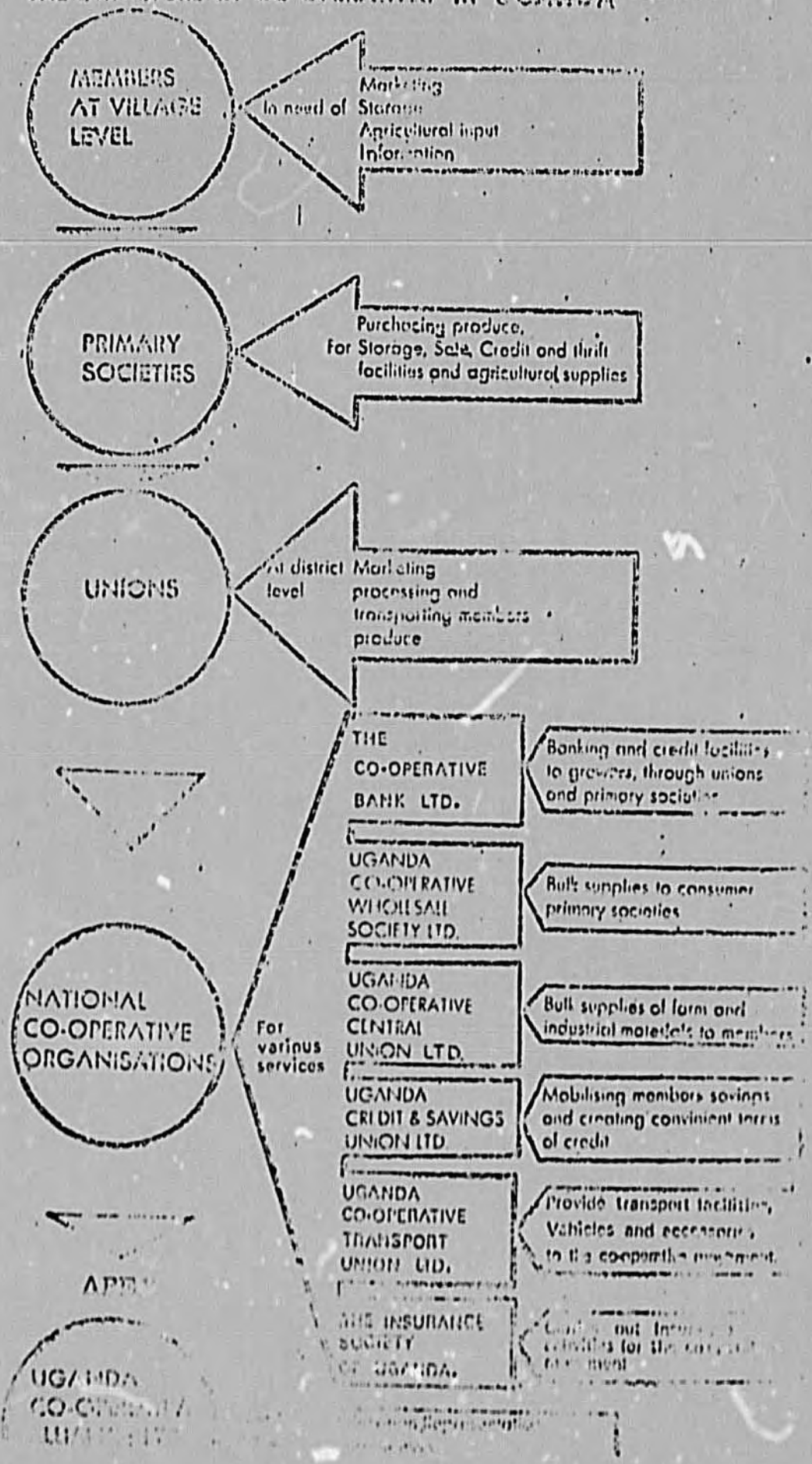
THE STRUCTURE OF CO-OPERATIVES IN UGANDA

ANNEX J



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ANNEX J

C H A R T

[illegible] UNION LIMITED

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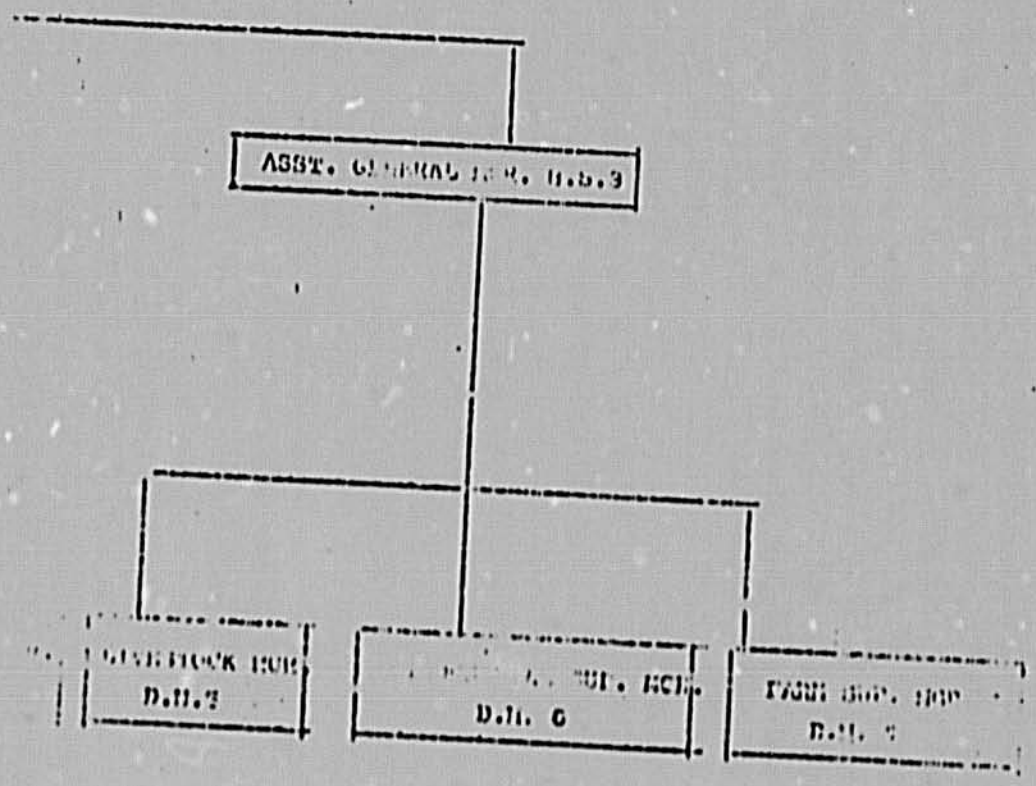
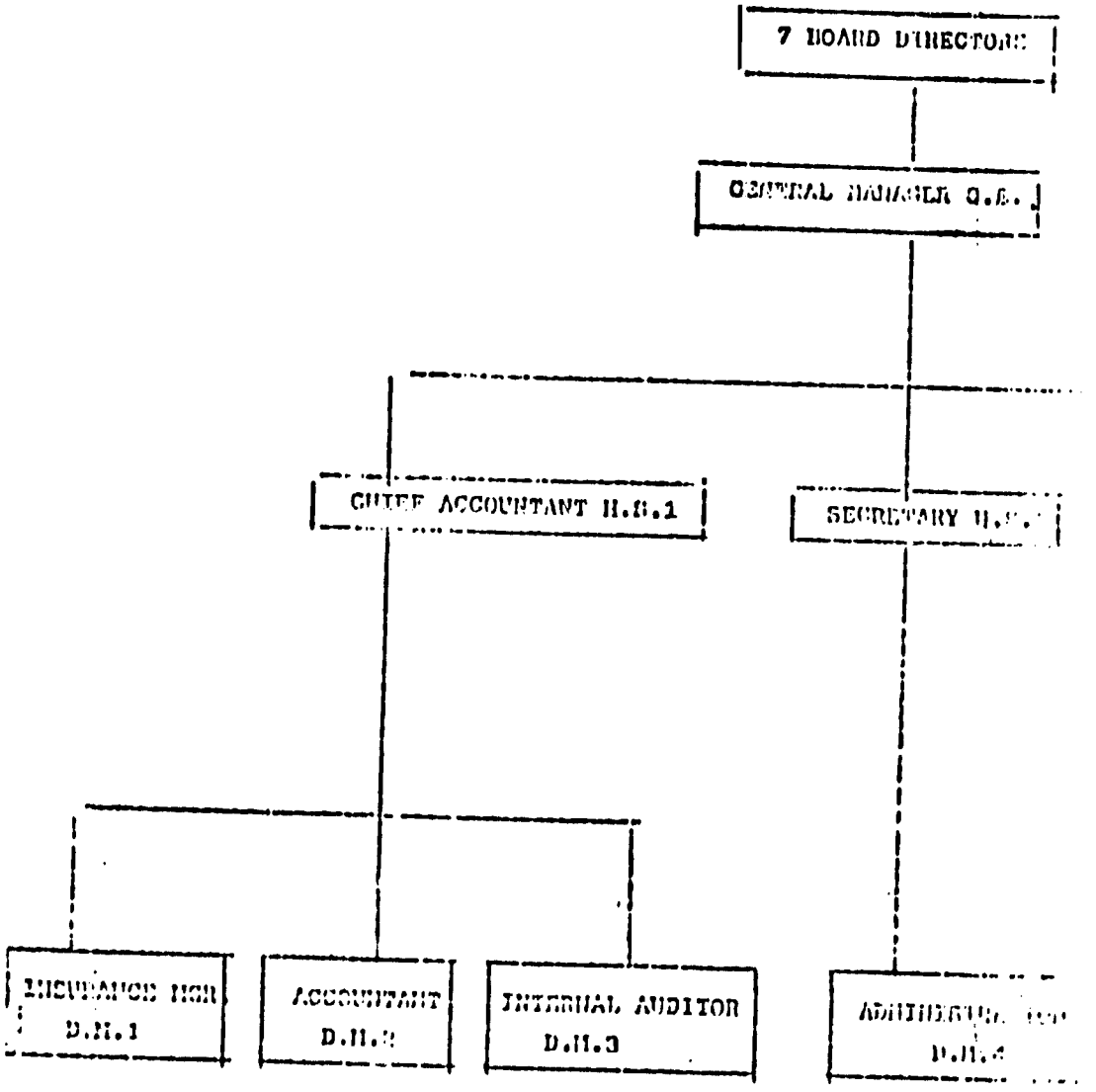


D.H. = DEPARTMENTAL MANAGERS

ANNEX J

O R G A N I S A T I [illegible]

U G A N D A C O - O P E R A T I V E [illegible]



G.E. - CHIEF EXECUTIVE

H.B. - HEADS OF [illegible]

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Annex L

April 24, 1981

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Larosière:

1. The country of Uganda has experienced declining production and severe price distortions in both domestic and external trade which have contributed to distortions in the allocation of resources over several years. Attached please find a Memorandum outlining the major economic and financial policies the Government has decided to implement during 1981 and 1982. The objectives of these policies are to eliminate the price distortions, improve the Government's financial situation, and lay the basis for the economic recovery of Uganda. This program is regarded as the first phase of the Government's adjustment and rehabilitation efforts and will be followed by a medium-term economic and financial program.

2. In support of the 1981-82 program, the Government of Uganda is requesting from the International Monetary Fund a stand-by arrangement totaling SDR 112.5 million, equivalent to 150 per cent of quota.

3. The Government of Uganda will review the program with the Fund no later than mid-December 1981. During this review, the authorities will reach understandings with the Fund on the quantitative performance criteria referred to in paragraph 26 of the attached Memorandum to be established for the balance of the program period and on the appropriateness of the exchange rate policy, the level of producer prices for coffee and cotton, and the financial administration of the main parastatal organizations.

4. The Government of Uganda believes that the policies set forth in this letter are adequate to achieve the objectives of the stabilization program and will take any further measures that may become necessary for this purpose. During the period of the stand-by arrangement, the Government of Uganda will consult with the Fund, in accordance with the policies of the Fund on such consultations, on the adoption of any measures that may be appropriate.

Sincerely yours,

/s/

L. Kibirango
Acting Governor
Bank of Uganda

/s/

A. Milton Obote
President and
Minister of Finance

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ATTACHMENT II

Memorandum on the Economic and Financial Policies of the Government of Uganda

Economic and Financial Program for 1981/82

I. Background and Objectives

1. During the last ten years, the economic situation of Uganda has been steadily deteriorating. Real GDP in 1980 is estimated at only three quarters of what it was in 1971 and real per capita income has fallen by almost 40 per cent since 1971. The capital stock is depleted, and many basic necessities (such as salt, sugar, and soap) are either lacking or available only at exorbitant prices. Farmers have no incentive to produce export crops, because they can rarely find any goods to purchase at official prices and the prices they receive by selling coffee or cotton through official channels are not commensurate with the prices of the goods which can be purchased on the free market. Under such conditions, farmers aim at ensuring self-sufficiency in basic foodstuffs and a small surplus which they can sell at free market prices to consumers in nearby towns. A farmer earns more by selling a kilogram of bananas at free market prices than by selling a kilogram of coffee to his cooperative.

2. Many factories remain idle, while others produce far below capacity, because they lack spare parts and current inputs which cannot be imported due to the foreign exchange shortage. These factories cannot afford to obtain supplies on the free market because they have to sell their output at artificially low-administered prices. The latter have not been raised for the last three years, while the prices of many goods on the free market have increased tenfold during the same three-year period. Because free market prices are often ten or twenty times higher than administered ex-factory prices, factories can only produce at a loss while speculators can make huge profits by buying at ex-factory prices and selling at free market prices.

3. With a depleted capital stock and inadequate price incentives to producers, the supply of goods for domestic consumption and export is falling or, at best, stagnating; export earnings are very low but import needs are enormous. The import bill for petroleum products is about two thirds of Uganda's total export earnings, and foreign exchange is lacking for necessities as basic as salt. Moreover, balance of payments deficits and inflationary pressures have been exacerbated by expansionary credit and fiscal policies.

4. In order to halt the deterioration of the economic and financial situation and to lay the basis for sustained economic recovery, the Government has decided to implement a stabilization program for a 13-month period beginning June 1, 1981. The program aims at restoring price stability and reallocating resources from black market to productive activities. This

program, if successful, should be followed by a three-year development program which could be supported by the Fund in the context of the extended Fund facility.

II. Economic and Financial Policies

5. In view of the inefficiencies associated with the current system of administered prices, the Government has decided to let market forces play a major role. From June 1, 1981 the Uganda shilling will be allowed to float and all prices will be freed with a few exceptions. Namely, minimum prices will continue to be guaranteed for the main export crops. Prices of petroleum products and tariff rates for public utilities (e.g., electricity and post and telephone services, and water) will continue to be set by the Government but will be frequently adjusted to reflect changes in their foreign exchange cost. An interim price increase will be implemented before the float. On May 1, prices will be raised by 260 per cent for gasoline and 200 per cent for diesel oil; minimum producer prices will be raised by 186 per cent for coffee and 150 per cent for cotton. Both the wage bill of government employees and the minimum wage will be raised by 25 per cent on July 1.

6. The elimination of most administered prices and the floating of the currency will give a considerable boost to government revenues. Control on government expenditure will be strengthened and the financing of the government deficit by recourse to domestic credit will be contained within strict limits.

7. Adequate incentives will be provided to producers and black market activities will be progressively eliminated by the narrowing of the margin between the newly decontrolled prices and prices on the residual black market. Prices of export crops will be adjusted periodically to the floating rate of the shilling, and appropriate measures will be taken to ensure a steady supply of essential goods (e.g., soap, salt, sugar, bicycles and fertilizers). Emphasis will also be placed on the rehabilitation of key factories. Within a year, this should lead to a substantial increase in domestic production of salt, sugar, beer, cotton and cotton textiles, which in turn should induce a decline in the prices of these commodities. By contrast, the purchase of luxury goods such as cars and gasoline, will be curtailed by the sharp price increases associated with the floating of the shilling.

(a) Specific measures

8. The success of the stabilization program requires the timely implementation of a series of measures. When the shilling floats and administered prices are eliminated, domestic supplies should be sufficient to avoid an increase in the price of basic necessities on the free market. Since the new price incentives will not have an immediate effect on production, the

increase in domestic supplies required during the initial months will have to come essentially from imports. Inflationary pressures will be contained by combining a progressive increase in the supply of basic necessities with a moderate growth of broad money which will require the implementation of strict fiscal and credit policies. The measures to be applied by the Government are described below by considering successively, exchange rate, prices and wages, public finances, money and credit, and balance of payments.

(i) Exchange rate

9. Starting June 1, 1981 the Uganda shilling will be allowed to float in a market consisting of commercial banks. The Central Bank will intervene in the market to smooth out short-term fluctuations in the rate, but will not attempt to affect the underlying trend. The objective will be to achieve maximum competition among buyers or sellers of foreign exchange. Importers, whether private or public, will obtain letters of credit specified in foreign currencies from commercial banks which will debit the importer's account in Uganda shillings on the basis of the exchange rate prevailing on the day of the transactions. A committee chaired by the Governor of the Central Bank will review tenders and issue a press release specifying the names of the buyers, the amounts of foreign exchange granted by types of imports, and the rate at which the transactions were made. The committee will establish monthly targets for the main components of the foreign exchange cash flows, foreign exchange receipts from exports and external assistance, import outlays by types of goods, and foreign exchange reserves. The committee will adjust its operations in order to remain within the monthly targets. Once the market has stabilized, the shilling could be pegged at an appropriate rate. As long as the rate is floating, the foreign exchange required for servicing the external public debt contracted before June 1, 1981 will be set in a special account and the corresponding Treasury outlays will be valued at the official rate which prevailed before June 1, 1981.

(ii) Prices and wages

10. The price of petroleum products initially raised on May 1, will need to be raised further in July. The dollar cost of imports will have to be expressed in shillings according to the floating exchange rate. The ad valorem rates of import duties and sales tax will be maintained at their present levels. No subsidy will be allowed on the importing and marketing of petroleum products as a whole, but offsetting price adjustments will be made among petroleum products to permit a lower increase for kerosene than for gasoline. The administered price of gasoline which will almost quadruple in May, may double or even triple within a few months. Even with such a dramatic increase, the administered price of gasoline would remain lower than the black market price which prevailed in April. Nevertheless, gasoline consumption will be curtailed and a sufficient amount of import licenses for bicycles will be granted to provide alternative means of transportation.

11. The minimum prices of coffee and cotton will also have to be raised during 1981/82, but the extent of the increase will depend on the rate at which the shilling tends to stabilize.

12. Surveys of retail prices will be conducted weekly in the Kampala area and monthly in representative rural areas. The results of these surveys will allow the authorities to follow the progress made in their fight against inflation and to adjust, if required, the import policy for consumer goods.

13. Increases in emoluments will be granted to government employees on July 1, to compensate them, at least in part, for the losses in their purchasing power resulting from the adoption of the measures. The increases need not be the same for all categories of government employees; a commission will study individual cases and propose adjustments in case of particular hardships taking into account the evolution of the cost of living index based on free market prices.

(iii) Public finances

14. The Government intends to improve expenditure control procedures in order to contain the growth of expenditure to a minimum. The structure of the government budget will be considerably affected by the float of the currency and the freeing of prices. Expenditure will increase on three accounts. First, all expenditure on imported goods will have to be values in shillings according to the prevailing exchange rate. Second, purchases of domestically produced goods which were valued at administered prices will have to be valued at free market prices. Third, the Government's wage bill will be raised by about 15 per cent. Revenue will also increase for the following reasons. First, the tax base will be enlarged because a large part of the black market transactions will become subject to taxation. Second, sales tax, import duties, and export taxes will apply at ad valorem rates to considerably higher free market prices. Furthermore, the Government plans to initiate actions aimed at improving tax administration. In percentage terms, the increases in revenue will be substantially higher than the increase in expenditure, and it is estimated that the budget deficit will fall to less than 20 per cent of expenditure in 1981/82 from about 70 per cent in 1980/81.

15. Another major feature will be a sharp decline in the deficit of public enterprises since most of them should become profitable with the increase in ex-factory prices. The Government will make a major effort to improve the accounts of public enterprises, both regarding comprehensiveness, accuracy, and timely presentation.

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(iv) Balance of payments

16. In 1980 the balance of payments deficit amounted to nearly $200 million and was essentially financed by an accumulation of arrears. During the program period the objective is to reduce the deficit to some $147 million and, at the same time, to reduce arrears by at least $50 million. Taking into account use of Fund resources of about $197 million, some $70 million borrowing from the reconstruction credit administered by the World Bank and other loans and grants from the EEC in particular, the current account deficit could be allowed to reach $240 million. Coffee exports, which account for 97 per cent of total export earnings, are expected to increase by more than 20 per cent on account of some supply response to higher producer prices, a reduction in smuggling and an improvement in transportation facilities. Given the objectives for the current account deficit, such an increase in exports would permit a rise in the value of imports by about one fifth. Within this constraint, the government policy is to reduce significantly the volume of gasoline consumption in order to permit a sizable increase in the volume of essential non-oil imports.

17. The authorities are consulting with major creditor countries regarding the possibility of rescheduling existing debts. If these consultations were to lead to some debt rescheduling, the import constraint would be relaxed. Any new foreign financing by the Government will be carried out in such a way that debt servicing difficulties are avoided in the future.

(v) Money and credit

18. Due to the very depressed state of the economy and expansionary monetary and fiscal policies in recent years, there is at present a large amount of excess liquidity. Banks are not making any effort to attract deposits on which they pay a maximum of only 5 per cent per annum, because the demand for loans by the private sector is extremely weak. In an effort to reduce the excess liquidity and encourage the banks to mobilize a larger amount of savings, the monetary authorities intend to raise the cash reserve ratio from 10 per cent to 15 per cent.

19. In 1980/81, the demand for credit originated essentially from the Central Government to finance the major part of the budgetary deficit estimated at nearly U Sh. 11 billion. In 1981/82, the budget deficit should be significantly lower than the preceding year. The Government's objective is to reduce its recourse to the banking system to finance the budgetary deficit by increasing sales of Treasury bills and government stocks to the nonbanking public. In view of the new market-oriented policy and the expected economic recovery, the demand for credit by the private sector is expected to rise substantially. Such an expansion will be allowed by setting a ceiling on total domestic credit corresponding to an annual increase of 35 per cent and a subceiling on credit to the Government, corresponding to an annual increase of 34 per cent.

20. As the recovery proceeds and the excess liquidity in the banking system is reduced, there will be a need for larger savings. To this end, the authorities intend to introduce a new maturity structure for time deposits ranging from 1-2 years to 3-5 years and bearing minimum interest rates of between 6 and 8 per cent depending on their respective maturities. These rates will be reviewed periodically with the intention of adjusting them as the need arises.

III. Performance Criteria

21. The execution of the program will be subject to the following performance criteria.

22. Total net domestic credit extended by the domestic banking system will not exceed U Sh. 26.1 billion on September 30, 1981 and net domestic credit to the Government will not exceed U Sh. 21.5 billion on September 30, 1981.

23. From June 1, 1981 to December 31, 1981 new foreign borrowing with a maturity of 1 to 15 years will not exceed SDR 120 million and those with maturity of 1 to 5 years will not exceed SDR 80 million. This limit will not apply to concessional loans and loans contracted to refinance existing debts and payments arrears.

24. A system will be established for reducing arrears in an orderly manner by requiring exchange applications to be fully backed by counterpart deposits in domestic currency. The level of external arrears, which is projected at SDR 310 million at the end of May 1981, will be reduced by, at least, SDR 11 million during the period June 1, 1981 to September 30, 1981.

25. During the program period, the Government does not intend to introduce any new multiple currency practice except the one incurred by the use of the exchange rate prevailing before the floating of the shilling for servicing the external public debt existing prior to June 1, 1981. No new restrictions on payments and transfers for current international transactions or import restrictions for balance of payments reasons will be introduced, or existing ones intensified. No bilateral payments agreements will be entered with Fund members which are inconsistent with Article VIII.

26. In the course of the review referred to in Paragraph 3 of the letter of intent, ceilings will be established on domestic credit and external arrears for December 31, 1981 and March 31, 1982, and on foreign borrowing for March 31, 1982.

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ANNEX L

PID APPROVAL CABLE

(STATE 194118)

All concerns expressed in the PID Approval Cable (State 194118) have been addressed in the PP. Following the format of concerns by paragraph number in State 194118, reference will be made herein to where in the PP specific concerns were addressed:

Paragraph 2 - Project Activities

a. Technical Assistance and Training Programs described beginning on p. 16 of PP and Annex I.

b. Institutional constraints described on p. 7 and Annex H.

c. Details of Training Program presented beginning on p. 16 and Annex I.

d. Arrangements for acquiring technical assistance for the Project is described in Contracting sub-section of the Implementation Section of the PP.

e. EC's role in training of cooperative personnel is presented on p. 13 and shows no duplication of effort.

Paragraph 3 - Production and Pricing of Hoes

a. The production and pricing of hoes and Ugma Steel's capability are covered the 2nd sub-section of the Economic Analysis Section.

Paragraph 4 - Economic Analysis

a. Free market rate for hoes and its economic implications is covered in the Economic Analysis Section.

Paragraph 5 - Institutional Analysis

a. All institutional questions addressed on pp. 7 and 22 and in Annex I.

b. UNDP and other donor plans to utilize coops for distribution channel covered on p. 10.

Paragraph 6 - Social Soundness

a. New social soundness analysis prepared (Annex M).

Paragraph 7 - Evaluation

a. Addressed in Evaluation sub-section of Implementation Section.

Paragraph 8 - Financial Analysis

a. All financial questions addressed in Table II, p. 18 and pp. 24 and 25.

Paragraph 9 - Miscellaneous

a. Project Outputs re-done - see p. 14 and Annex B.

b. Appropriate Vehicle Justification Prepared - see Annex J.

c. CP's modified - see Annex C.

d. Statury Checklist corrected - see Annex C.

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INCOMING TELEGRAM AMEMBASSY NAIROBI USAID FILE CODE

REDSO FILE
OFFICIAL FILE
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ACTION
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UNCLAS SECTION 01 OF 02 STATE 194118

NAIROBI FOR REDSO/EA

23 JUL 81
TOR: 0810
CN: 25604
CHRGL: A17

E.O. 12065: N/A

TAGS:

SUBJECT: UGANDA PROJECT IDENTIFICATION DOCUMENT - FOOD PRODUCTION SUPPORT (617-0182)

1. PID FOR FOOD PRODUCTION SUPPORT PROJECT WAS REVIEWED JUNE 15, 1981, WITH ACTING DIRECTOR USAID/UGANDA PRESENT. PID WAS APPROVED, AND WAS FOUND HOWEVER TO PROVIDE A COMPREHENSIVE BASIS FOR PROPOSED PROJECT. IN GENERAL, PROJECT WAS VIEWED FAVORABLY AS MUCH NEEDED, WELL CONCEIVED EFFORT TO BOOST FOOD CROP PRODUCTION AND BEGIN PROCESS OF REHABILITATING UGANDA'S ONCE EFFECTIVE AGRICULTURAL COOPERATIVE STRUCTURE. IN VIEW OF FY 1982 OP BUDGET LIMIT FOR UGANDA, LIFE-OF-PROJECT FUNDING LEVEL APPROVED AT DOLS FIVE MILLION. THE FOLLOWING COMMENTS AND GUIDANCE ARE PROVIDED TO ASSIST THE MISSION IN COMPLETING THE PP.

2. PROJECT ACTIVITIES: PP SHOULD CLARIFY PID'S DISCUSSION OF TECHNICAL ASSISTANCE AND TRAINING TO BE FINANCED UNDER THE PROJECT. PP SHOULD IDENTIFY, TO EXTENT POSSIBLE, CRITICAL INSTITUTIONAL WEAKNESSES OF IMPLEMENTING INSTITUTIONS AND DESCRIBE THE KINDS AND LEVELS OF TECHNICAL ASSISTANCE AND TRAINING BEING PROPOSED UNDER THE PROJECT TO ADDRESS THESE ORGANIZATIONAL CONSTRAINTS. THE TRAINING COMPONENT SHOULD IDENTIFY TYPES OF TRAINING, INTENDED RECIPIENTS, LOCATION AND DURATION OF TRAINING, AND HOW TRAINING WILL BE ALLOCATED AMONG VARIOUS COOP INSTITUTIONS. DISCUSSIONS WITH COOP OFFICIALS AND ACDI TEAM MEMBERS SHOULD BE HELPFUL ON THESE POINTS. THE TECHNICAL ASSISTANCE COMPONENT, IN SIMILAR FASHION, SHOULD IDENTIFY PRIORITY AREAS FOR SHORT AND LONG-TERM TECHNICAL ASSISTANCE AND DESCRIBE IMPLEMENTATION ARRANGEMENTS COVERING THE DELIVERY OF PROPOSED TA (I.E. CONTRACT, PASA; DIVISION OF TA RESOURCES BETWEEN THE MOM ON ONE HAND, AND UCCU AND UCA AND MEMBER COOPS, ON THE OTHER). SHORT ASSISTANCE FROM OTHER DONORS IS ANTICIPATED, AS WITH THE EC'S PLANNED LARGE-SCALE COOP TRAINING PROGRAM, PP SHOULD IDENTIFY SUCH ASSISTANCE AND SHOW HOW DUPLICATION OF EFFORT WILL BE AVOIDED.

3. PRODUCTION AND MARKETING OF ROSE: PID WAS GENERALLY SATISFACTORY IN TREATING ROSE PRODUCTION COMPONENT OF PROJECT. HOWEVER, RESPECTIVE ROLES OF UGANDA ROSE, LTD.

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AND UGMA STEEL AND ENGINEERING CORPORATION IN PROJECT-FINANCED HOE PRODUCTION SHOULD BE ADDRESSED, ESPECIALLY IN LIGHT OF (A) ANTICIPATED LC ASSISTANCE TO UGANDA HOES, AND (B) UGMA'S LIMITED CAPACITY TO HANDLE MAJOR INPUTS OF STEEL.

4. ECONOMIC ANALYSIS: ECONOMIC ANALYSIS SHOULD, INTER ALIA, PRESENT SOCIO-ECONOMIC RATIONALE FOR PROJECT. DEGREE OF PRECISION CONCERNING STREAM OF ECONOMIC COSTS AND BENEFITS MAY ADMITTEDLY BE LIMITED BY AVAILABILITY OF DATA. PP SHOULD HOWEVER ADDRESS IMPLICATIONS OF FREE MARKET RATES ON PRICES OF HOES AND OTHER INPUTS TO SMALL FARMER TARGET GROUP.

5. INSTITUTIONAL ANALYSIS: GIVEN PROJECT'S MAJOR FOCUS ON REHABILITATION OF UGANDA'S COOP STRUCTURE, PP SHOULD PROVIDE BASIC DATA ON CURRENT STATUS OF KEY COOP INSTITUTIONS: MINISTRY OF MARKETING AND COOPERATIVES (MCM), UGANDA CENTRAL COOPERATIVE UNION (UCCU), UGANDA COOPERATIVE ALLIANCE (UCA), DISTRICT COOPERATIVES AND PRIMARY SOCIETIES. SPECIFICALLY, PP SHOULD DISCUSS INSTITUTIONAL SETTING IN TERMS OF ADEQUACY OF STAFF, BUDGET INCLUDING SOURCES OF FINANCING, OPERATIONS (E.G., FINANCIAL, CREDIT, MARKETING AND STORAGE, INPUT SUPPLY, EXTENSION) LEADERSHIP, POLICIES, AND PHYSICAL RESOURCES (E.G., BUILDINGS, EQUIPMENT, EXPENDABLE COMMODITIES, TRANSPORT), MEMBERSHIP (E.G., COMPOSITION, RETENTION, GROWTH), AND RELATIONSHIP WITH OTHER KEY AGRICULTURAL INSTITUTIONS (MINISTRY OF AGRICULTURE, AG FINANCE INSTITUTIONS, AND RELATIONSHIP OF MCM TO UCCU, UCA AND AFFILIATED COOPS). AS NOTED DURING PID REVIEW, INSTITUTIONAL ASSESSMENT WILL PROVIDE BASIS FOR THE PROJECT'S TECHNICAL ASSISTANCE AND TRAINING COMPONENTS AND MAY ALSO LEAD TO IDENTIFICATION OF ADDITIONAL COMMODITY NEEDS. PP SHOULD ALSO DISCUSS INSTITUTIONAL IMPLICATIONS OF PLANS BY UNDP AND OTHERS TO UTILIZE COOPS TO DISTRIBUTE FARM IMPLEMENTS.

6. SOCIAL SOUNDNESS: PP DESCRIPTION SHOULD INCLUDE BASIC DATA ON THOSE FACTORS WHICH WILL AFFECT SUCCESSFUL PROJECT IMPLEMENTATION (E.G. INCOME, FARMING PATTERNS, OUTPUT, SOCIAL STRUCTURE, TRIBAL PATTERNS- AND FAMILY SIZE). PP SHOULD IDENTIFY BENEFICIARIES INCLUDING NON-COOP MEMBERS (LOCATION, EXPECTED NUMBER OF BENEFICIARIES), DESCRIBE DIRECT AND INDIRECT BENEFITS; AND IDENTIFY CONSTRAINTS TO PROJECT SUCCESS (E.G., LACK OF AFFORDABILITY OF HOES AND OTHER INPUTS BY THE TARGET GROUP; TRIBAL DISCRIMINATION; MAGERDO; SECURITY CONSIDERATIONS). PP SHOULD ALSO DISCUSS ROLE OF WOMEN IN AGRICULTURE SECTOR AND IN THE PROJECT. VIEW FACT BY
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THAT WOMEN PRODUCE THE MAJOR SHARE OF FOOD CROPS IN UGANDA, THEIR ACCESS TO AND PARTICIPATION IN THE UGANDA COOPERATIVE MOVEMENT SHOULD BE DESCRIBED TOGETHER WITH THEIR ANTICIPATED ROLE IN THE PROJECT, BOTH AS RECIPIENT OF PRODUCTION INPUTS AND OF TECHNICAL ASSISTANCE AND TRAINING PROGRAMMED UNDER THE PROJECT. SOCIAL SOUNDNESS ANALYSIS SHOULD DRAW ON, AS APPROPRIATE, SUCH SOURCES AS FY 82 CDSS, CLARK UNIVERSITY COUNTRY PROFILE OF UGANDA, AND CDSS BACKGROUND PAPER ENTITLED "COMMUNITY LEVEL CONDITIONS AND DEVELOPMENT ASSISTANCE NEEDS IN UGANDA

7. EVALUATION: IN ORDER TO MEASURE ACHIEVEMENT OF THAT PROJECT PURPOSE OF INCREASED PRODUCTION AND INSTITUTIONAL REHABILITATION, BASELINE DATA MUST BE AVAILABLE EARLY IN PROJECT IMPLEMENTATION. PP SHOULD ASSESS ADEQUACY OF PRODUCTION AND INSTITUTIONAL DATA AND PROPOSE PLANS TO COMPLETE ANY GAPS IN THE DATA BASE.

8. FINANCIAL ANALYSIS: FINANCIAL ANALYSIS OF THE PROJECT SHOULD PROVIDE REASONABLY FIRM COST ESTIMATES FOR ALL PROJECT COMPONENTS AND INCLUDE DATA TO SUPPORT COST PROJECTIONS. PARTICULAR ATTENTION SHOULD BE DIRECTED TO RECURRENT COST IMPLICATIONS--I.E., THE CAPABILITY OF THE MCM AND COOP ORGANIZATIONS TO FINANCE

SALARIES FOR NEW AND/OR UPGRADED STAFF; REPAIR AND MAINTENANCE COSTS OF PROJECT-FINANCED VEHICLES, OFFICE EQUIPMENT, AND FARM IMPLEMENTS; CONTINUED TRAINING OF STAFF; AND TO SUPPORT AN EXPANDING LEVEL OF SERVICES TO UGANDA'S SMALL FARMER POPULATION.

9. MISCELLANEOUS: (A) PROJECT OUTPUTS REQUIRE RE-DEFINITION; THEY SHOULD NOT BE RESTATEMENTS OF PROJECT INPUTS (SECTION III, B AND LOG FRAME OF PID). (B) IFE IS APPROVED. (C) AN APPROPRIATE JUSTIFICATION SHOULD BE INCLUDED IN THE VEHICLE PROCUREMENT WAIVER (ANNEX F OF PID). (D) SOME CONCERN WAS EXPRESSED THAT CONDITIONS PRECEDENT AND COVENANTS CONTAINED IN DRAFT PROJECT AUTHORIZATION (ANNEX C OF PID) MAY BE OVERLY AMBITIOUS FOR WHAT IS ESSENTIALLY A FIRST-PHASE COOP REHABILITATION EFFORT AND MIGHT RESULT IN UNDULY DELAYING PROJECT EXECUTION. (E) PER ANNEX G, STATUTORY CHECKLIST NO. 14, STATE/IO ADVISES THAT UGANDA IS NOT TWO FULL YEARS IN ARREARS IN ITS U.N. DUES, AND THEREFORE NOT DELINQUENT WITH RESPECT TO FIRST SENTENCE OF ARTICLE 19, U.N. CHARTER. THUS THERE IS NO GHR(U) PROBLEM AT THIS TIME. U.N. WILL ISSUE UPDATED INFORMATION END OF AUGUST AND STATUS SHOULD BE CHECKED IF THE PROJECT HAS NOT BEEN OBLIGATED BY THAT TIME. SUGGEST PLEASE REVISE CHECKLIST TO INDICATE THAT GOU NOT FAR ENOUGH IN ARREARS TO BE IN VIOLATION OF GHR(U).

10. AFR APPRECIATES NATURE OF PROPOSED PROJECT AS INITIAL EFFORT BY U. S. TO HELP GOU BRIDGE GAP FROM RECONSTRUCTION TO DEVELOPMENT CONDITIONS. WE ALSO RECOGNIZE CONSTRAINTS IMPOSED ON LAST GATHERING BY RECENT EVENTS. UNDER THESE CIRCUMSTANCES, WE ARE WILLING TO BE SOMEWHAT FLEXIBLE ON NORMAL PROJECT DESIGN

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REQUIREMENTS WHILE STILL INSISTING UPON DESIGN WHICH OFFERS REASONABLE ASSURANCE OF SUCCESS. MISSION/REDSO SHOULD THEREFORE ADVISE ASAP WHICH OF THE ABOVE CONCERNS IF ANY THEY BELIEVE CANNOT BE ADDRESSED IN A PP PREPARED FOR FY 1981, AND WHAT ARE RECOMMENDATIONS FOR HANDLING CITED ISSUES.

11. MISSION IS GIVEN APPROVAL TO COMPLETE PP IN CONTEXT OF ABOVE GUIDANCE, AND AA/ASH DEPERY REDELEGATES AUTHORITY TO DIRECTOR, REDSO/EA TO REVIEW AND APPROVE PP AT LIFE-OF-PROJECT FUNDING LEVEL OF NTE $5 MILLION. WHEN AID/W IS NOTIFIED THAT PP IS APPROVED, WE WILL ATTEMPT TO MAKE AVAILABLE FY 1981 FUNDS IF, AND AS SOON AS, POSSIBLE. HAIG
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Uganda Food Production Support Project:
Social Analysis

Patrick Picurel
Kampala
25 August 1981

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A. Introduction

In January 1980 I travelled widely in rural Uganda to assess local level conditions and needs for development assistance. The outlook then was dim: essential government services were scarcely operating, farmers had turned to either subsistence production or magendo, depending on their opportunities, and everywhere people could see no clear way to reconstructing the political and economic fabric of the nation.

Despite the great turmoil experienced during the intervening months, circumstances today are very different. Outside of urban areas, the power of magendo is declining, and farmers, although still lacking many essential tools and commodities, are moving back into the money economy through the production of crops for sale. The government's ability to administer and provide services to rural areas, although still strictly limited, has nevertheless solidly improved. Perhaps most importantly, the spirit of people in rural areas and their enthusiasm for the future are both very strong; and these qualities, however difficult to assess, should not be under-rated as elements in successful national reconstruction and development. I make these comments to reassure those who may wonder whether conditions in Uganda are such as to warrant continued USAID assistance. U.S. development assistance can be effectively delivered, provided that appropriate precautions are taken, and serves a broader purpose than material support alone. To an indeterminate but significant extent, it is the knowledge that other countries have faith in Uganda which encourages Ugandans to have faith in themselves.

B. Methodology

The task assigned was to provide a social analysis of a USAID agricultural food production project designed to deliver to Uganda five million dollars worth of agricultural commodities, technical assistance and training. At the time of writing, this money was to be allocated as indicated below:

Table 1: Uganda Food Production Assistance Project FY82-84

	Amount ('000s)
A. Commodities	
1. Steel for hoes	1100
2. Seeds	400
3. Gunny bags	150
4. Bicycles and spares	1210
5. Transport	40
6. Production machines	1430
7. Other	120
B. Technical assistance	975
C. Training	575
	5000

The analysis focuses on the four major elements of the project: the commodities themselves; the means used to distribute them; the planned technical assistance; and the training. To collect information on each of these it was necessary to spend time in Kampala, where central planning and administration is done by the Department of Cooperative Development in the Ministry of Cooperatives and Marketing (MCM); in Lugazi and Jinja, where the hoes are produced; and in various rural areas. The [illegible] followed is outlined below:

Table 2: Allocation of time for Social Analysis (Aug. 16-25, 1981)

[illegible]	Kampala	Saturday	Soroti
[illegible]	Jinja and Lugazi	Sunday	Tororo
[illegible]		Monday	Prepare report
[illegible]		Tuesday	Prepare report

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The particular rural areas visited were selected for the following reasons:

1. To provide a contrast between the agricultural needs of areas where perennial crops (plantains) are the staple food, and areas where annual crops (cereals) are the staple. Masaka and Rakai are dependent on plantains and root crops, while Soroti and Tororo depend on cereals and root crops.

2. To provide a contrast between the needs of the generally wealthy south and the generally poor north. Masaka in particular is the center of a prosperous coffee region, while Soroti (in Teso) is relatively poor, the more so following the collapse of cotton farming and severe drought during the last two years. Teso is not as poor as other areas, particularly West Nile and Madi, but given time limitations and local disturbances on the Lira road Teso seemed an appropriate choice.

3. To examine the integrity of the distribution system in an area (Tororo) where tribalism and magendo are both particularly strong, and where effective distribution without discrimination is most problematic.

4. To examine the process and results of hoe distribution in areas where this had taken place some time past (Soroti), in areas where distribution was still in progress (Masaka and Rakai), and in areas where distribution was just beginning (Tororo). In Tororo my Ugandan counterpart gave the district union 24 hours notice to begin distributing hoes--on a weekend--and we travelled on the lorry bringing the first hoes to two different primary societies. This allowed careful observation of the organizational effectiveness of the distribution system under conditions calculated to expose all possible weaknesses.

5. To examine the progress of reconstruction in the hardest-hit areas. Masaka and Rakai were severely damaged in the liberation war, and [illegible] within that area [illegible].

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In each place visited extensive discussions were held with the staff of the DCD; with leaders and employees of the local district cooperative union (DCU); with the managers of various primary societies; and with local farmers, both men and women (a list of persons contacted is included as Appendix 1). Discussions with local farmers took place with the aid of various interpreters, although I spoke personally with the relatively few who could communicate in Swahili or English. The information gathered during these discussions, together with interview material collected in Kampala and various documentary sources, constitutes the basis for the report which follows.

C. The Project Mechanism and Relationship of Project Components

USAID is using the MCM as a vehicle for administration of project inputs. -The MCM, and especially its Department of Cooperative Development (DCD), oversees Uganda's private cooperative movement. The cooperative movement is composed of 3600 primary societies, averaging 200-300 members each, and reaching every parish in the country. Members of the primary societies elect a small managing committee annually at a general business meeting, and day-to-day affairs are managed by an unpaid part-time secretary, assisted by a treasurer. The primary societies are grouped into 33 district unions. These are controlled by a nine-member Policy Committee, three members of which are elected at each annual general meeting. These meetings are attended by one or two delegates from each primary society, depending on its size. Each delegate has one vote. The day-to-day affairs of the unions are handled by a secretary manager and his staff, which may be quite large in the case of very diverse and wealthy unions, and almost non-existent in the case of poor ones. The unions in turn are served by six specialized national cooperative organizations, and all together are served by the Uganda Cooperative Alliance, which is responsible for representing the interests of the movement to other domestic organizations, to Government, and to international organizations.

The DCD supervises and regulates the affairs of the movement at every level. Cooperative Assistants and Cooperative Supervisors perform this function at the primary society level; Cooperative Officers and Assistant Cooperative Officers do this at the union level and supervise their departmental subordinates; and Senior Cooperative Officers and others of higher rank supervise affairs at the national level while also overlooking the activities of the departmental field staff. There is a good deal of exchange of personnel between the DCD and the [illegible]

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particularly at senior management levels, and at all levels there are close working relationships.

USAID commodities will flow through the system in this way (using hoes as an example): Hoes are produced in Jinja and Lugazi. District unions are responsible for picking up the hoes at the factory and bringing them to a union warehouse. Unions and primary societies work together to distribute the hoes to primary societies, where they are ideally distributed to farmers on the day they arrive. When receiving a hoe the farmer signs his or her name, or fixes a thumbprint on DCD forms designed for the purpose, and representatives of the primary society, the union, the DCD, local chiefs, and agriculture staff are present to witness the operation. Their names are recorded on separate DCD forms (both forms are included in Appendix 2). The whole distributive system is monitored by the DCD audit section, which has been reinforced for this project by the addition of two roving monitor teams. One is based in Kampala to cover the southern zone, and one is based in Mbale to cover the northern zone. Each team (of two individuals) makes surprise visits to distribution posts, checks all signature and witness forms for impropriety, and even visits farmer's homes to insure that they actually possess hoes which the records show they have bought. Although very sound in design, the system has some weaknesses which are exposed in operation. These are discussed in Section F, "Participation and Equity."

USAID will support the system of distribution by providing 4½ person-months of technical assistance to MCM in the areas of planning, logistics, management, wholesaling, transport, banking and [illegible]. Since the actual activities of these individuals will be jointly [illegible] by USAID and GOU during the early stages of implementation, it is difficult to be precise regarding the contribution the TA will make to project effectiveness, or about potential areas for improvement. However, there is no question that these [illegible] are greatly desired by DCD staff, since

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they [illegible] operating near the limits of their capacity. In addition, the presence of advisors for longer or shorter periods of time will serve as a useful check on the inevitable tendency for the system to be distorted by political or economic forces. Finally, the advisers, particularly the team leader, should be able to shoulder a large part of the administrative and oversight responsibility which now falls on the extremely limited USAID/Uganda and REDSO staff.

USAID will also finance training: 2 graduate degrees in the U.S., 9 participants for a total of 55 months of short-term training outside of Uganda, 4-week in-country seminars for 50 senior cooperative staff, and 1-week in-country seminars for 500 junior cooperative staff. Once again, the actual content of the training courses will be established during the early stages of implementation, but all is intended to strengthen the MCM and the cooperative movement generally, especially with regard to their joint responsibility for commodity distribution.

It should not be forgotten that during the 1960's and into the 1970's USAID financed the training of many of the people who now constitute senior management in the MCM and in the movement at large; these people all value highly the training they received, and are fearful that unless such a program is reinstituted soon the future leaders of the movement will be severely disadvantaged. The current strength of the cooperative movement is due at least partly to this earlier USAID financed training, and a failure to provide now for the future of the movement would be serious. In addition, the reinstitution of the training program will provide an enormous psychological boost to people throughout the movement, who are currently working very hard under severe constraints and whose morale must be maintained at a high level if the integrity of the distribution system is to be sustained.

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D. Context

The project will take place in an agricultural, ethnic, political and economic environment which is very complex. The basic issues and the extent to which they may affect project implementation and effectiveness are outlined below.

1. Agro-Economic Context

Agricultural production patterns in Uganda are best summed up in terms of the distribution of predominant staple food crops and cash crops, since these largely determine needs for tools and the allocation of productive labor.

North of a line running roughly from Tororo in the east to Pakwach in the west, cereals (mainly finger millet and sorghum) constitute the staple food, supplemented to varying degrees by root crops such as sweet potatoes and cassava. Men assume responsibility for initial clearing of land, while women cultivate and harvest the crops. Cash can be earned through the sale of any food crop to townspeople or to other farmers in seasonally food-deficit areas. In [illegible], groundnuts and cotton also supplied substantial income to such places, and, although last year's cotton crop was dismal, farmers have been encouraged by the recent price rise (from 6/= to 15/= per kilo) and extensive areas have been planted. No groundnuts are available for planting this year, although rice production is strong. Income from the sale of cotton and rice goes chiefly to men, while that from the sale of local food crops (especially millet when it has been converted to millet beer) goes mainly to women. Women however lend a hand in many phases of cotton production and do not go unrewarded; many earn extra income [illegible] in ginneries and are prized as careful workers [illegible] cotton on their own account. At Gulu, in [illegible] cooperative

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managed entirely by women, which has been very active since the war.

South of this line plantains (matoke) and root crops are the staple foods, apart from the west--Bunyoro, Toro and West Ankole--where agriculture is very diverse with cereals (especially maize) entering into the banana-root crop pattern, and apart also from some areas in the east--Bugisu and East Bukedi--where similar diversification exists. In the south, as in the north, cash may be earned from the sale of surplus food crops to townspeople, but much more can be earned from the sale of robusta coffee. Women of course produce the bulk of food crops, but play little role in coffee production and sales, and have a relatively minor role (compared to the north) in sales of surplus food crops. This is because the chief surplus food, matoke, is sold in large bunches weighing 35-45 kilograms each or more. These are usually moved to local markets or lorry collection points on bicycles, 4 or 5 at a time, and it is belived throughout much of the south that such heavy work is too difficult for women. Women however do sell significant amounts of sweet potatoes, cassava, eggs, green leaves used as spinach, and other commodities as well.

The most critical agricultural difference between north and south, in terms of the proposed USAID project, stems from the fact that all food and cash crops in the north are annual crops, while the principal food and cash crops in the south are perennial. This means that requirements for agricultural labor--particularly hoe labor--are very much greater in the north than in the south. Northern agricultural patterns require extensive land clearance, seedbed preparation, and weeding--a cycle repeated twice a year, depending on location and the strength of the bimodal rainfall distribution. Although southern agricultural patterns do include some cereals and significant amounts of root crops, the total effort required to produce both food and cash crops is much lower than in the north. The areas of mixed agriculture, where cereals, plantains and root crops are all grown, occupy an intermediate position between the

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north and south in this regard.

Another factor relevant here relates to the rainfall requirements of annual crops. It is essential for maximum yields that land clearing and seedbed preparation take place before the onset of the rains, so that planting can be done either just before or coincident with the first rainfall. Even a delay of a few days, once the rains have begun, will mean substantial yield reductions in cereal crops. Cotton too is sensitive to variation in the timing, amount and distribution of rainfall. Thus in the north I found farmers extremely reluctant to share hoes even among close relatives and neighbors, since to do so would mean slowing down their own land preparation cycle. People are willing to lend hoes after their own land is ready, but by then the rains are imminent and it is usually too late for families lacking hoes to get much seed in the ground. There are other problems as well: those lacking hoes usually cannot do an adequate job of land preparation, because time is short and they must work quickly, nor can they, after the crop has germinated, weed as often and as completely as they ought. All these factors reduce the yields of both food and cash crops.

In the south, on the other hand, the predominance of perennial crops means that labor inputs can be spread somewhat more evenly through the year. Moreover, the root crops grown are not as sensitive to delays in planting as are cereal crops, and, in the case of sweet potatoes, do not require much weeding. Thus I found there that people are quite willing to lend scarce hoes among relatives and neighbors, and the result is that the hoes which have been distributed meet the needs of a greater number of people than is possible in the north.

This variation in patterns of agricultural production suggests that patterns of hoe distribution should also be varied--more specifically, that more hoes should be sent to the north on a per-capita basis than [illegible] to the south. This is because more workers need hoes in the

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north, because the hoes wear out more quickly through greater use (lasting about one year currently), and because the timing of the rains (quick onset, in places short duration) makes it difficult to gain any advantage through sharing of hoes. Because the DCD has compiled figures on the allocation of hoes during the last year, it is possible to assess whether their allocation has responded to such variation in regional needs.

Table 3: Past Sales of Hoes by Agricultural Zone and Population

Zone[b]	Hoe Deliveries[a]	Population	Hoes:Capita
Perennial Crop Areas:			
Ankole	2097	1210298	1:23
Buruli	446	73966	1:7
Busoga	2757	1221872	1:18
Bwamba	560	112126	1:8
East Mengo	2354	970145	1:16
Kigezi	1301	753130	1:22
Masaka	1076	905754	1:22
Wamala	[illegible]	510260	1:17
West Mengo	[illegible]	638753	1:15
Nyakatonzi	1730	797049	1:18
	14039	7194153	1:20
Annual Crop Areas:			
Central West Nile	[illegible]	[illegible]	1:14
East Acholi	[illegible]	107594	1:24
Karamoja	[illegible]	[illegible]	1:10
Lango	[illegible]	[illegible]	1:18
Madi	[illegible]	[illegible]	1:10
Northern Uganda	[illegible]	[illegible]	1:14
South Bukedi	[illegible]	[illegible]	1:9
Southwest Nile	[illegible]	[illegible]	1:8
Teso	[illegible]	[illegible]	1:14
West Acholi	[illegible]	[illegible]	1:13
West Nile	[illegible]	[illegible]	1:5
Okoro	[illegible]	[illegible]	1:18
	[illegible]	[illegible]	1:14
Mixed Perennial/Annual:			
Sebei Elgon	[illegible]	[illegible]	1:6
Masaba	[illegible]	[illegible]	1:5
Bunyoro	[illegible]	[illegible]	1:17
Kekumiro	[illegible]	[illegible]	1:17
North Mbale	[illegible]	[illegible]	1:9
Bugisu	[illegible]	[illegible]	1:15
	[illegible]	[illegible]	1:12

a. In cartons. Each carton [illegible]

b. These are very approximate [illegible] be taken as definitive.

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The rough nature of these geographical divisions (used by DCD because they are the areas served by various unions) makes it difficult to be certain, but it seems likely that the past allocation of hoes has responded at least partially to the regional variation in need for hoes. The northern annual crop areas have received more hoes than the southern perennial crop areas in the ratio of about 1.4:1. The zones of mixed perennial/annual crop production received intermediate numbers of hoes, apart from Mbale, which seems to have received more than its share. The approximate congruence of these figures with agricultural needs is due partly to the sensitivity of DCD staff, who are aware of diverse agricultural patterns throughout the country, and due partly to input from agricultural staff at various levels. However, current plans at MCM call for an evening-out of the distribution during the next phase of activity. USAID should continue to encourage larger numbers of hoes to be sent to annual crop areas, since their need for hoes will continue to be greater than in perennial crop zones. To determine the most desireable north:south ratio of hoe deliveries would be a complex exercise in agricultural economics and probably not worth the effort; probably the best course will be to sustain deliveries at the current ratio.

2. Ethnic Context

There are about 40 distinct tribal groups in Uganda, each with its own language. Inter-tribal relations are a complex mixture of enmity and friendship, based on long-standing traditional relationships, and complicated these days by the powerful antipathies generated during the liberation war and the recent election campaign. Two aspects of this ethnic situation may affect the USAID project and therefore deserve attention: the potential for tribal loyalties to bias the distribution of commodities, and the problem of communication.

On the national level, there does not seem to have been any consistent attempt to allow tribal feelings to influence the distribution of hoes. Some areas that might have been expected to benefit disproportionately, such as Lango, have received an apparently appropriate allocation (see Table 3), although other such areas (Kigale in particular) may have been favored. Areas that might have been expected to receive relatively fewer hoes, such as Madi and West Nile, do not seem to have been disregarded. In places such as Bukedi and the Rwenzoris, however, where there are many small tribes living in close proximity, it becomes more difficult to make a judgement. National figures do not reveal enough and there is the possibility that where one district union, or even one primary society, serves members of more than one tribe, some discrimination may take place. I saw no evidence of this in my travels but since tribal discrimination at the local level could affect the viability of the USAID project by undermining faith in the fair distribution of commodities, it is a matter that should be given further attention. It would be possible, for instance, to require recipients of commodities to identify themselves by tribe when signing the PCG forms. This would also be useful to future project evaluations.

The problem of communication [illegible] various

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tribal languages are more-or-less mutually unintelligible. Luganda [illegible] lingua franca in much of the south, a function served partly by Swahili in some areas of the north, while English is the language of the economic and political elite, north or south. This situation will complicate project administration, insofar as directives issued in Kampala are filtered often and inevitably distorted before they reach the lowest levels (primary societies, chiefs, farmers) where distribution actually takes place. Another related issue is that the MCM monitoring teams, which are composed of capable, committed individuals, may be unable to understand complaints delivered in the languages of the local areas they visit. If these monitoring teams speak only the languages of overseeing officials, there is an opportunity for biased distribution to take place unnoticed. A suggested course of action would be to insure that the two-member monitoring teams possess complementary, rather than overlapping, language skills.

[illegible]rical Context

[illegible] the fragile condition of political stability in Uganda today, [illegible] of the political situation and its impact on the USAID [illegible] must be both tentative and discreet. It is however possible to [illegible] issues which ought to be considered by those responsible [illegible] project implementation.

[illegible] recent elections established UPC (northerners, and largely [illegible], and [illegible]) as the party of Government, and DP (southerners, and largely [illegible]) as the party of the Opposition. While the government as a whole [illegible] to the equitable distribution of development assistance, there [illegible] the possibility that individual MPs may not entirely share this [illegible] distribution system, which represents a significant [illegible] (inside and outside of government) [illegible] perceived by many/as a tool for paying off politic[illegible]

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debts, and assuch is under continuous and heavy pressure from top to bottom. The administrators at MCM have so far been fairly successful in keeping political distortions out of the system, but their task is heavy. USAID can best assist them by remaining in close contact with project administration, and by ensuring that USAID views are well-known to all concerned.

E. Project Beneficiaries

These fall into two groups: those who derive benefits directly from resources supplied under the USAID project, and those who benefit indirectly through the effects of the project. We can be more sure of the numbers and distribution of people in the first category than of people in the second. Table 4 at the end of this section summarizes the numbers and distribution of direct beneficiaries.

1. Direct Beneficiaries

These fall into two main groups: recipients of commodities, and recipients of training and technical assistance.

a. Recipients of Commodities. These are people who receive hoes, maize seed, gunny bags, bicycles and spares, transport and production machines.

1. Hoes: 1,200 MT of steel will be imported under the project. At the past production rate of 427 hoes per MT, approximately 515,000 hoes will be made available. If current patterns of distribution are maintained, the recipients will be located as follows:

Annual crop zones: 224,000 beneficiaries

Perennial zones : 157,000 beneficiaries

Mixed crop zones : 134,000 beneficiaries

Sharing of hoes is rare in [illegible] rather frequent in the perennial crop [illegible] for the hoe owner to use the hoe in the morning [illegible] and allow another to use it in the afternoon [illegible] employed; my conversations with farmers suggest [illegible] all available hoes are used for a second [illegible] there will be in the south [illegible]

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distribution component, about 57181 if we accept the 50% rate for afternoon usage. The total direct beneficiaries of the distribution of hoes comes to 432941 persons.

ii. Maize Seed: $400,000 is allocated for the purchase of groundnut, vegetable and soy bean seed. It remains to be seen how much seed this will buy, since it will have to be largely if not entirely purchased in Kenya and 1982 prices there, as well as the 1982 cost of transport from Kenya to Uganda, cannot be forseen. However, the following figures may serve to obtain an initial, rough estimation: 8 KSh/Kg for the seed, plus 4 KSh/Kg for transport and handling. At current rates of exchange (9 KSh:1 U.S.$), this means that about 300 MT of seed will be made available under the project. To maximize the spread of benefits, this seed should be distributed in the smallest packages generally available, which is the 5 kg size in Kenya. Some difficulty may be encountered in obtaining so many small packages, in which case the 10 kg and 25 kg sizes will have to be used. But use of these larger sizes should be kept to a minimum, since they will inevitably be broken down and re-weighed at unions and primary societies before distribution to farmers. This is an added burden which the system may not be able to bear. Scales are seldom seen yet even at union headquarters, and once loose seed is introduced into the distribution system the opportunities for leakage will multiply.

If we assume that the seed is packaged in 5 kg units, or at any rate that each farmer is allowed no more than 5 kg, then about 60000 people will directly benefit from the 300 MT of seed. No specific plan for the allocation of the seed has been formulated, but in general it will go to those areas where groundnuts, vegetable and soy beans are currently produced: the east and west mixed agricultural zones, along with Mubende, Masaka/Rakai, Kigezi and Kabarole (these are southern areas).

iii. Gunny bags: It is expected that about 130000 bags, used for transportation and storing cotton, coffee, beans, etc. will be provided by project funds. Current MCH plans call for these bags to be allocated

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entirely to unions in coffee-growing areas, since there are mountains of coffee in these places that cannot be transported from farmer's homes to coffee factories, or from coffee factories to the Coffee Marketing Board in Kampala, all for lack of bags. Because bags are used and re-used, it is difficult to be precise about the potential numbers of direct beneficiaries. However, the UN estimates (1981 Country Review, p. 259) that about 500000 Ugandan smallholders derive some portion of their income from sales of coffee. Nearly all of these people may be expected to benefit to some extent as the flow of coffee through the cooperative system speeds up.

iv. Bicycles: It is expected that about 8000 bicycles (with spares) will be provided by the project. Since the unit cost will be relatively high (about 8000 USh each), it is unlikely that many farmers will be able to afford them. Even in the prosperous southern zone, I was told that any price above about 5000 USh would exclude the majority of farmers. Since little can be done to reduce the cost of the machines, current MCM plans require them to be allocated to DCU field staff, to the staff of district unions, and to the leaders of primary societies. Most of these people cannot directly purchase the bicycles either, but many have access to credit through membership in various savings and credit cooperative societies. Other bicycles will be allotted to individual farmers either as a reward for selling large quantities of produce through the primary society, or at random, through lotteries, but total numbers are likely to be small. It makes good sense to plan for most of these machines to be used by low-level cooperative staff, since they have vast responsibilities for oversight and coordination of local-level affairs, yet have virtually no means of transport and communication. If USAID plans to utilize the cooperative structure for distribution of commodities are to prosper, smooth communications at the lower levels are a must. The bicycles will help greatly to insure this. Direct

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beneficiaries of the bicycles will most probably therefore be 8000 local-level cooperative staff, distributed among districts around the country.

v. Transport: Five small pick-ups will be purchased under the project. Current plans indicate these will be used to expand the number and mobility of the commodity distribution monitoring teams. The two current teams for north and south will be supplemented with the addition of one team for the west and perhaps one for the east; also, one vehicle will be used by the audit chief to allow surprise inspections of the monitoring teams themselves. The direct beneficiaries of this transport will be the monitoring staff of DCD, who will be able to perform their tasks with increased effectiveness. They will number about 10.

vi. Production machinery: These will be installed in the premises of USIM Engineering, Ltd, in Luzira. [illegible] a 51% state-owned, 49% privately-owned company which will produce the hoes from USAID-financed steel. The direct beneficiaries will include about 55 employees who will be required to work the machines on a two-shift basis, and of course the company shareholders, whose assets will have been increased.

b. Recipients of training and technical assistance

A total of 561 people will directly benefit from training courses planned under the project. The [illegible] (FGA) will be junior DCD staff working at the primary society level [illegible] from districts around the country. The other 61 will [illegible] staff working at the district level around the [illegible] head office in Kampala. The direct beneficiaries [illegible] will be the 8 Ugandan counterparts to the 8 TA staff [illegible] be upgraded and whose confidence in performing [illegible] ed.

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Table 4: Numbers and Distribution of Direct Beneficiaries

Project Component	Number of Beneficiaries	Distribution
. Commodities:		
hoes	432941	Annual crop zone: 38% Perennial zone : 40% Mixed zone : 22%
Seed	60000	In mixed crop zones, and some parts of the perennial zone.
gunny bags	perhaps 500000	In coffee areas.
bicycles	8000	Junior level cooperative staff around the country.
transport	10	Audit teams.
production machines	55[a]	Lugazi.
. Training and Technical Assistance:	569	Junior and senior staff from around the country.
Total Direct Beneficiaries:	1001575	

. Includes shareholders.

. Indirect Beneficiaries

. firm estimate of the number of location of indirect beneficiaries is [illegible], but the number is going to be very large because this project [illegible] fundamental constraints on agricultural production, which provides [illegible] for 90% or more of Uganda's population.

[illegible]: A conservative estimate is that people benefitting indirectly [illegible] the hoes will be limited to immediate family members, who will [illegible] the increased production made possible by the hoes. If each [illegible] contains 6 members (an average figure), then some 2600000 people [illegible] benefit indirectly.

. Seed: Much of the food crops produced in Uganda [illegible] to earn cash. Thus, the indirect beneficiaries will [illegible] wage-earners who must have cheap, dependable [illegible]

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food to maintain themselves. About 10% of Uganda's population falls into this category, that is, about 1300000 people. Perhaps one-third of these consume groundnuts, vegetables and soy beans on a regular basis (matoke is generally preferred), so we may estimate that about 400000 people will benefit indirectly from the seed component.

c. Gunny bags: Indirect beneficiaries here fall into two categories. Current MCM plans call for a certain number of used bags to be released from service in the coffee areas, once the new bags are available, and delivered for service in the cotton areas. Bags are used also for transporting and storing cotton seed, and for collecting and transporting raw cotton from the fields to ginneries. Since no estimates of the number of bags to be transferred are yet available, no estimate of the number of cotton farmers who will indirectly benefit from the delivery of new bags is possible.

More generally, the new bags will increase the transport and delivery capacity of the Ugandan coffee industry by over 11000 MT (assuming 90 kg per bag as a representative figure). Since lack of bags is currently a major constraint, it is probable that these bags will allow for a significant increase in Ugandan foreign exchange earnings during the 1982/83 production season. Most Ugandans will benefit through the subsequent import of more vehicles, medicines, school supplies and agricultural commodities, all of which remain in acutely short supply.

e. Nurseries, transport, production machines, training and TA

All these elements of the project strengthen the capacity of the MCM (and through it, the Uganda cooperative movement) to deliver needed farm inputs to producers around the country. The cooperative movement serves about one million registered members, plus their immediate families, in addition to an indeterminate number of people who obtain goods and services through cooperative channels while abstaining from formal membership. Those who will benefit indirectly from these elements of the project cannot be less than six million persons.

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F. Participation and Equity

In this section we examine the extent to which the USAID project will encourage or allow broad participation at the local level. Special attention is given to two points raised in the AID/W PID review, that is, the extent to which farmers who are not cooperative members can be expected to participate in the project, and the position of women.

1. The Uganda Cooperative Movement and Project Participation

The cooperative movement in Uganda is a fundamentally participatory institution. There is a primary cooperative society in every parish in the country, owned and supervised by farmers themselves. The district unions are supervised by people elected or nominated by farmer-delegates from the primary societies. With a total individual membership of about one million, it is estimated that about 6 million Ugandans have unimpeded access to cooperative goods and services. Any Ugandan, male or female, over the age of 18 is free to join. Required membership fees and contributions to share capital vary greatly depending on location and type of society, but are nowhere beyond the means of ordinary farmers. Few institutions in any nation can claim to be as broadly representative as the Uganda cooperative movement. However, not all district unions and not all primary societies will be served by the USAID project. Current distribution plans at DCD include 31 of the 33 district unions, and call for 1000 of the total 3600 primary societies to be provided with [illegible] commodities. Of the two unions excluded from the project, one is currently undergoing liquidation and the other is a handicrafts union centering on Kampala, whose members are largely urban and who would be excessively tempted to simply re-sell the hoes if provided them.

The district unions are responsible for deciding which of the [illegible]

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primary societies will receive allocations of hoes; typically, about one-third of the primary societies in any one union will be chosen to receive hoes. The criteria upon which such selections are made are laid down by senior DCD staff in Kampala and include accessibility, good management and safe storage facilities. These criteria are sound and necessary. The chosen societies must be accessible by lorry, for the hoes are heavy and other forms of transport are not viable (a typical consignment is 40 cartons, weighing 1500 kg). But this does not mean that the distribution points chosen are not remote. The roads used by large lorries in Uganda and east Africa generally are often barely recognizable as tracks, and lead far off into the bush. All of the half-dozen primary societies I visited, where distribution was taking place, were one-half hour to an hour's drive from the nearest tarmac or murram road. The criterion of accessibility does not, in my judgement, introduce unwarranted bias to the distribution. In any case, farmers from societies not served with hoes are free to walk to societies [illegible] where they will be served.

Good management is also an essential criterion. It would be senseless to give hoes to societies unable to provide responsible bookkeeping and careful supervision, for they would simply disappear [illegible] market. The soundness of requiring safe storage [illegible] evident--when hoes must be stored for hours or days [illegible] be locked away to avoid theft. Clearly these last two criteria [illegible] wealthier, more successful societies over [illegible] see a more suitable approach. In any case the freedom [illegible] walk to neighboring societies is at least a partial corrective, although the long distances which have to be covered (especially [illegible]) will be discouraging to many.

Once the primary societies have [illegible] allocated hoes on the basis of [illegible]

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rough indication of the size of the total needy population, members and non-members, in the area served by the society. DCD staff in Kampala have directed that all local residents, members and non-members alike, are to be sold hoes on a first-come, first-served basis. In practice, some variation from this ideal takes place. These matters are dealt with in the next section.

2. Local Distribution Systems

Local people around the country have taken the broad outlines of the DCD distribution plan and adapted it to meet their special needs. Some of these adaptations seem relatively benign, while others may introduce bias into the distribution system. The systems I observed [illegible] described below.

a. Members stand in one line, non-members in another. Money is accepted from the person at the head of each line alternatively, who is then issued a hoe. The result is that members must wait for shorter periods of time to receive their hoes, and are also more certain of getting one when supplies are short. The rationale for this system, which is accepted by members and non-members alike, is that members have through past donations and service helped to build up the cooperative organization, while non-members have not. Members are therefore thought to have a prior claim on cooperative services, and it is difficult to refute the logic of this position.

b. Members are served first, followed by non-members. This is a more extreme example of the system described in (a), and is more discriminatory. I believe it should be discouraged.

[illegible] women stand in one line, men in another. The person at the head [illegible] hoe alternately. Usually, the women's line f[illegible] men expect (correctly) that the hoes [illegible]

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their husbands will be in fact used by wives, and are thus not worried about failing to receive one. The rationale for separate lines is that women could be bruised if required to compete with man for places in line. In fact, most of the lines are very orderly. If anything, this method favors women since their waiting period is shorter.

d. Adults with large families and many mouths to feed receive two hoes, while adults with smaller families receive one. The decision about whether a particular person deserves two hoes is made by the parish and subparish chiefs, who know their people intimately. This system may not be particularly desirable in light of AID's 104(d) obligation to stimulate development in ways that do not contribute to or encourage large family size, but it is eminently humane. I could not suggest that it be altered.

e. Each man receives one hoe, and as many additional hoes as he has wives. This is a more flexible version of system (d) above, with the same rationale.

f. Adults pay society officials for their hoes a week or so ahead of time, names are placed on a list, and the listed persons served with hoes under DCD supervision when the lorry finally arrives. The purpose of the system is to cut down on the amount of time overburdened junior DCD staff must devote to supervising the distribution program, since payment and signature signing are both time-consuming processes. While I sympathize with the DCD staff who are in fact working long hours, including [illegible], with little hope of salary supplements, I also feel this variant [illegible] an unacceptable risk of leakage. Since payment is made without [illegible] supervision by all concerned, there is the possibility that additional money may change hands before a name is placed on the list. Actual [illegible] has to do with identifying those who have paid and insuring that [illegible] others, receive hoes. Since most rural people are illiterate, [illegible] by thumbprint. The blotched, smeared and incomplete prints [illegible]

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would serve to identify no one, and so supervisory staff must take the word of local leaders as to who is to be issued a hoe and who is not. Finally, the delay between collection of money and delivery of hoes encourages leakages from the stock of hoes and the collected sums both. This system is inherently weak and should be discouraged.

g. In some place hoes have been distributed more-or-less equitably along the lines described above, but other commodities (especially seeds) have not. These may be reserved strictly for cooperative members, or may be sold only through the union farmer supply store, usually located in district headquarters. In either case the bias is clear. There is no reason why all commodities cannot follow the hoes to primary societies and thence to farmers, and so this practice should be discouraged.

3. The Position of Women.

Women play a predominant role in food crop production in Uganda and, especially in the north, make a contribution to cash crop production. The critical task [illegible] planting, weeding and harvesting cereals and root crops are [illegible] women, while they also provision the household with many [illegible] through sales of surplus food. There are regional variations in these patterns, but throughout Uganda women are vital elements [illegible] production at the household level. The issue [illegible] will they be served by the proposed USAID project [illegible].

Records of membership [illegible] societies and district unions do not reveal whether members are male or female. However, any women may join, [illegible] if she has attained the age of 18 and provided [illegible] are usually not large [illegible] thought that

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-only membership in a society will allow women to participate in the benefits of the USAID project. Nearly all the hoes distributed under the earlier project are going to women first and foremost, since it is they who perform the bulk of hoe labor in the fields. Moreover, women who are not cooperative members or whose husbands are not cooperative members are allowed to purchase hoes at primary soceities, just as non-member men are (subject to the constraints outlined in section 2 above). In my upcountry travels I saw no evidence whatever that women were being denied the tools which they need to perform their vital tasks.

As with the general membership, there are no records revealing the male and female composition of staff in the cooperative movement at various levels. However, this point was explored in discussion with many cooperative staff. Women definitely do not play an important role in the affairs of the cooperative movement generally, although there are no restrictions regarding their activities. Women managers of primary societies are occasionally seen, and there are one or two women managing district unions. Societies devoted to handicrafts, consumer goods and savings and credit tend to be composed and led mainly by women, while women are comparatively inactive in the agricultural marketing and multi-purpose societies.

But these matters are changing. Since 1977 the Uganda Cooperative Alliance has strongly encouraged member societies to expand the management and education role played by women, and the MCM has followed through with a directive that every district union should employ a woman as Cooperative Education and Publicity Officer (CEPO). Some unions have done so, but most already had men in the CEPO slots and these persons cannot simply be discharged. The CEPO role is to educate members regarding their responsibilities and rights as members of cooperative societies and to publicize the activities and advantages of belonging to cooperatives.

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In the DCD, which, as we have seen, oversees the activities of the cooperative movement generally and the USAID project in particular, there is one woman officer specifically charged with women's education. From her Kampala office she oversees training prgrams for women at the primary society level, at the union level, and nationally. These vary from one-day seminars to week-long residential courses. Up until 1977 dozens of such training activities were carried out annually, but since then the general lack of money and commodities has reduced the women's program to nearly nothing. In general, these training courses are designed to equip rural women with the knowledge and skills needed to make a better life for themselves and their families (a typical syllabus is attached as Appendix 3). In addition, women who attend these courses are educated regarding their role as cooperative members, and are encouraged to speak out more strongly at general business meetings.

Unlike the situation with respect to general membership [illegible] or cooperative society staff, it is possible to say something about female participation in the ranks of the DCD. Table 5 illustrates.

Table 5: Women in the DCD

Rank	[illegible]	of which Women[b]	%
Commissioner	[illegible]	0	0
Asst. Commissioner	[illegible]	0	0
Principal Coop. Officer	[illegible]	0	0
Coop. Officers and Snr. Coop. Officers	[illegible]	11	[illegible]
Asst. Coop. Officers	[illegible]	0	0
Coop. Asst. and Snr. Coop Asst.	[illegible]	"many"	[illegible]

a. From ACDI draft report on cooperative [illegible].
b. From OIC, Womens Education at DCD

Clearly participation is not great [illegible] gradually growing and there are no overt signs of [illegible] DCD explain the failure to recruit [illegible] the movement generally [illegible] consequence [illegible] women

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[illegible] participate greatly in secondary education or in the general [illegible] force (P. Fleuret, 1980 USAID background paper p. 36), and those few who emerge well-qualified have many alternatives more attractive than to join the civil service or the movement and be required to live in a [illegible] of widely-scattered, remote and uninteresting rural locations. As more women begin competing for the few attractive jobs in major population centers, it can be expected that more will begin to regard either private or public service in the cooperative movement as a viable option.

With regard to women's participation in the training component of the project, it should be emphasized that no final decisions have been made and indeed cannot be made until the project is further developed. However, there is no evidence that women will not participate in the training component in proportion to their admittedly limited representation within the department. In fact, several of the women [illegible] spoke had been already informed informally that they would [illegible] for training under USAID or other auspices.

The Problem of Government Intervention

[illegible]nally, Uganda's cooperative movement has derived its [illegible] and vitality from the bottom--from the hundreds of thousands of [illegible] farmers whose efforts, faith and monetary contributions have [illegible] movement to grow and become the strong force for development [illegible] today. All this, however, is currently endangered. During [illegible] and the liberation war, cooperative organizations at all [illegible] decapitalized, facilities were destroyed, abandoned or looted, [illegible] and employees vanished, and management deteriorated [illegible] and particularly the MCM, is working hard to [illegible], but the problem is that now the strength to

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flowing in from the top. Along with government provision of vehicles, commodities and finance comes increasing government control over activities at union and primary society levels. It would be a shame if the Uganda cooperative movement were entirely to lose its grassroots, private character during a period when government must necessarily take a leading hand. There are no simple answers to this difficulty, but USAID should have it in mind while planning further phases of development assistance. To the extent possible, it will be desirable to interact with the national cooperative unions and with the Uganda Cooperative Alliance, which can also channel assistance to unions and societies but which have a private character.

G. Sociocultural Feasibility

The general approach taken in this project has a high degree of sociocultural feasibility. The cooperative movement has supported small farmer development in the past and will undoubtedly continue to do so in the future. The commodities chosen represent simple, appropriate and well-understood technologies which have played a role in rural productive systems for many decades. However it is appropriate to examine certain points in more detail.

1. Hoes

The standard 1.5 kg hoe with round eye is a satisfactory implement. However, among the Lango a different type of hoe is preferred, especially for weeding. This hoe is flat and has a tang which penetrates and is fixed to the wooden handle. Lango people are currently complaining that they need their own type of hoes, which were formerly available, in the ratio of 3 of the Lango type to 1 of the standard type. USAID may wish to encourage Uganda Hoes to continue production of the Lango type, partly because it would be easy to [illegible], and partly because the hoe is cheaper and therefore more [illegible] affordable to Lango people.

A second issue revolves [illegible] hoes are now put. In the general absence of [illegible] land clearance. They are not meant to [illegible] which causes them to bend and split. Thus the [illegible] hoe is being diminished because a compl[illegible] are responsible for producin[illegible] have done little. They s[illegible]

A final issue has to [illegible]

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This point was explored in detail in discussions with farmers and officials, and it seems fair to sum up the situation that in the wealthy southern parts of the country farmers could generally afford hoes selling at up to 230-250 USh, but in the poorer northern areas are having great difficulty in scraping together the currently-required 130 USh. In an attempt to arrive at some objective understanding of the resources available to farmers, a list of commodities which they may produce or make for sale was compiled and prices ascertained during the upcountry travels. In addition the current market price for various agricultural implements was determined. Relevant extracts are presented below.

Table 6: Prices of Commodities and Farm Implements (USh)

Item:	Ashiga[l]	Zebilli[m]	Nyikira Okole[n]	Basoka-Kwavula[o]
maize[a]	[illegible]	[illegible]	[illegible]	150
millet[a]	[illegible]	[illegible]	700	1200
[illegible]	[illegible]	[illegible]	400	400-450
pi[illegible][b]	100	n/a	500	100
sweet [illegible]	[illegible]	[illegible]	300	150
cassava[c]	[illegible]	[illegible]	[illegible]	250
green leaves[c]	[illegible]		[illegible]	10-20
egg[d]	[illegible]	[illegible]	10	10
millet beer[e]	[illegible]	[illegible]	[illegible]	400
chicken	3-[illegible]	[illegible]	250-400	3-400
goat[f]	[illegible]	[illegible]	1-3000	2-2500
cow[f]	[illegible]	[illegible]	16-30000	15-20000
charcoal[g]	[illegible]	[illegible]	[illegible]	300
hoe[h]	[illegible]	[illegible]	[illegible]	500,900
panga	[illegible]	[illegible]	[illegible]	500
axe	[illegible]	[illegible]	[illegible]	300
plough share[k]	[illegible]	[illegible]	[illegible]	n/a
plough ox	[illegible]	[illegible]	[illegible]	n/a

a. Per 16 litre tin, [illegible] 19 kg.
b. Per average bunch, weighing [illegible]-45 kg.
c. Per bunch, about [illegible] kg.
d. Each.
e. For a large [illegible].
f. For an average size, [illegible].
g. Per sack.
h. The first figure is for locally-produced, the second for imported.
i. Not seen and no price [illegible].
j. Not seen and no price [illegible].
k. Locally produced [illegible].
l. [illegible]
m. [illegible]
n. [illegible]
o. [illegible]

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As the distribution system currently operates, farmers in a particular area are apprised of the forthcoming distribution 3 days to a week in advance. This allows them time to assemble the necessary cash money. In the south most small farmers can do this easily by selling a quantity of coffee to their society. Coffee these days is often considered a more stable store of wealth than money in the bank, so farmers retain it in their homes and sell it off piecemeal to meet cash needs as they arise. Those without coffee can usually do the same with plantains. In the north stores of wealth are neither so large nor so fluid, consisting variously of food crops in the field or in granaries, and livestock. My discussions suggest that people in the poorer areas have some difficulty in both converting their limited wealth to the form of cash, because demand is not great, and also in assembling enough cash. For many, there is a direct trade-off between purchasing a hoe and doing without some other thing. The price data assembled do not entirely support this view, there being relatively little variation among the various places sampled. The situation is a complicated one, partly because these, the only data available, do not reflect seasonal variation at all and this is an important element in determining overall levels of well-being in the north. I believe it is safe to say that people in the northern areas will experience greater difficulties than people in the south in purchasing hoes at current prices, but it is not possible to say to what extent or to say what price would be most suitable. The pricing issue is a thorny one, and no easy solution presents itself. A possible scheme would be to sell hoes at higher prices in the wealthier south, and use the surplus to subsidize distribution in the north. This whole area of varying prices to [illegible] local demand and capacity should be further explored [illegible] next phase of project development. [illegible] price for a commodity everywhere in [illegible] is [illegible].

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2. The Distribution System and Magendo

As discussed in section E, the distribution system developed by DCD has proved flexible enough to meet the varied needs of project participants under widely different circumstances around the county. Local people, members and non-members both, have faith in the fairness and effectiveness of the cooperative system, and I was told spontaneously that all consumer commodities should in future pass to farmers the same way. The careful audit and monitoring system devised by DCD has apparently succeeded in resisting the forces of magendo to a very significant extent, and this certainly cannot be said of the other distributive systems devised by other Ministries and Offices of the government.

H. Project Impact

Under ordinary circumstances about 7 out of every 10 adults in Uganda should have their own hoes in order to be fully employed in food and cash crop production. Current estimates are that about 2 or 3 out of 10 or so equipped. Thus of an estimated 5-6 million hoes needed for full production, only 1.5-2.5 million are available. The USAID project to provide 375700 hoes will thus expand Uganda's productive capacity by 15-25%, which is not inconsiderable. To evaluate this impact accurately, it would be necessary to undertake hoe prevalence and utilization surveys in various parts of the country, and compare the current situation with the situation when the project terminates, taking into account contributions made by other donors.

The other major area of impact relates to Uganda's cooperative movement. The non-hoe commodities, technical assistance and training to be delivered under the project will strengthen the movement considerably, at a time when the cooperative structure is vitally important to successful rural development. The cooperative movement contributed greatly to Ugandan smallholder development in the past and farmers are looking to it now for assistance in marketing [illegible] and development. USAID assistance to the cooperative movement will have the greatest impact on the course of smallholder development generally.

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Appendix 1: List of Persons Contacted

Nairobi

[illegible] Scarfo, REDSO project officer.
[illegible] Greeley, REDSO social analyst
Gerard Lombombard, REDSO procurement officer
Gerald Crane, ACDI project development officer

Kampala

Fred Perry, USAID/Uganda acting director
[illegible].A. Okodoi, MCN permanent secretary
A.E. Elogu, DCD commissioner
Pius Batarinyebwa, DCD assistant commissioner for cooperative development
[illegible] A. Okori, DCD assistant commissioner for audit
William Okoroi, DCD hoe distribution project manager
D. Mubalya, DCD hoe distribution monitoring team for southern zone
C. Maniragaba, DCD hoe distribution monitoring team for southern zone
D. Mabwa, DCD hoe distribution monitoring team for northern zone
N. Akol, DCD hoe distribution monitoring team for northern zone
Mrs. T.H. Tum-Rujojo, DCD registration section
Ms. I.K. Majanja-Zaali, DCD women's education section
[illegible]. Ekojot, Uganda Cooperative Alliance (UCA) general secretary
Francis Rubani, UCA technician
Mr. Joua Bagarukayo, UCA education section
(Plus various supervisory staff at Uganda Hoes and UGMA Engineering)

Masaka

[illegible].M. Kasozi, Masaka Cooperative Union (MCU) secretary-manager
[illegible]. Kiggudu-Kejeno, MCU accountant
[illegible]. Mayanju-Luwemba, MCU agricultural assistant
[illegible].S. Ernadda, MCU production manager
[illegible], MCU production manager for cotton and coffee
[illegible] Katongole, MCU accountant
[illegible]nja, MCU farm manager

Basoka-Kwavula (near Masaka)

[illegible] Buso, DCO Masaka
[illegible].N. Mukesa, Basoka-Kwavula primary society secretary
[illegible]. Lukona, Kasambya parish chief
Joseph Kato, chairman of UPC Kibenge branch
[illegible].N. Kalububbu, farmer
[illegible] Nsegujja, farmer
[illegible]. Mmudu, farmer

Mutangole (near Rakai)

[illegible] Matsiko, DCO Rakai
Ephraimu Kimlugwe, Mutangole parish subchief
Joseph Matovu, Mutangule parish subchief

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Kiteredde (continued)

Henry Kwanje, farmer
Damiano Msubuga, farmer
Matia Kwebe, farmer
Atanasi Kintu, farmer
Rafael Nambale, farmer
Mrs. M.T. Nalubowa, farmer
Mrs. Yoanina Nanuuni, farmer
Mrs. Reonora Namasinga, farmer
Mrs. Victoria Nakawanga, farmer
Mrs. Bazilio Lubega, farmer

Busoga (Jinja)

George W.T. Mwandha, Busoga Cooperative Union general manager
Gideon Bzandala, BCU assistant general manager
Firimoni A.K. Kwanja, BCU personnel manager/director of new projects

Soroti

S.A. Oduc, Teso Cooperative Union general manager
A. Odulaickao, DCO Soroti
G.W. Ongengo, TCU agricultural production manager
H.A. Osauro, TCU internal auditor
J.B. Enyau, TCU stores controller
W.J.E. Odubo, TCU charge-man for Arapai
J.A. Ogwang, TCU senior storekeeper

Aminit (near Soroti)

Demeanic Kocimini ~~Primary Society~~ secretary-manager
Ignatius Asen, farmer
Y. Ejwaku, farmer
Yeremi Ekiku, farmer
J.M.D. Opolot, farmer
Mrs. Katarina Alungu, farmer
Mrs. Margery Apeso, farmer

Tororo

James Odoitowarinde, Tororo District Cooperative Union secretary manager
Mrs. Millie Abaru, DCO Tororo
J.O. Geora, ACO Tororo
Sam Mwima, CA Tororo
Daniel Olingachoko, farmer

Arinor (near Tororo)

T. Oduto, parish chief
F. Tanga, farmer
O. Ngachelo, farmer
N. Obath, farmer
D. Etyang, farmer
Mrs. F. Ilegesa, farmer
Mrs. J. Alwere, farmer

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Appendix 2: DCD Witness Record Form
PART A

CERTIFICATE TO BE COMPLETED BY C.A.

DISTRIBUTION OF COMMODITIES THROUGH COOPS

1. Name of Agency Supplying Commodity.....
2. Type of Commodity.....
3. Name of Society.....Reg No.....
4. Union to which Society affiliated.....
5. Officials of Society Handling Commodity.....

Name _____ Position _____ Signature _____

a)

b)

c)

d)

e)

f)

6. Witnesses:

a) Cooperative Dept..... C.A.....Sign.....

b) Agricultural Dept.....rank.....Sign.....

c) Any other Dept.....rank.....Sign.....

d) Local Chief.....Position.....Signature.....

e) Union Representative (if any).....

f) Union Committee member of area.....Signature.....

7. a) Quantity of Commodity allocated.....

b) Quantity of " Collected.....

c) Quantity of Commodity distributed.....

d) " Shortage (if any).....

Reason for shortage and who is responsible (see separate report)

e) Recipients (see details attached)

I certify that the information given above is accurate and co...

.....Monitoring Officer.

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Appendix 2: DCD Signature Form [illegible]

PARTICULARS OF RECIPIENTS OF GOODS [illegible]

COOPERATIVE INVOLVEMENT

Name of Society Supplying.....

Date of Distribution.....

S. NO.	Name of recipient	Village of residence	Quantity or number	Amount paid	Signature thumb [illegible]
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.					
23.					
24.					
25.					

[illegible] or more thumb sign

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Appendix 3

WOMEN GRASSROOT COURSE AT KEMCO - D.P.I. 25th - 31st MAY, 19[illegible]

	Monday 25th	Tuesday 26th	Wednesday 27th	Thursday 28th	Friday 29th	Sat. 30th
8.30 a.m. to 10.00 a.m.	Official Opening by Area Senior Co-op. Officer	Co-operative Principles by Mr. R. Kyamulesire/ D.C.C.D.	How to start a Co-op. Soc. by G.M. Kwandha/ DCO	The role of comm. Development in relation to Co-operatives by Ministry of Culture	Consumer Co-op. by Mr. G. Zaibi	V I S I T
	B	R	E	A	K	
10.30 a.m. to 12.15noon	Group Dynamics & Introduction of Participants by Miss Majanja Z.	Co-op. Education Policy by J. Mirazo PCO/E	Book-keeping by Mrs. T. Kyambadde	A talk from red cross its functions by Red Cross Official.	Savings and Credit Co-operatives Mr. Mukiibi/ ACCD/C	to Kireka rehabilitation Centre
	L	U	N	C	H	
12.15 p.m. to [illegible]	Vegetables Growing by Min. of Agric.	Women Welfare by Mir. of Culture and Comm. Development	How to start a Simple Poultry farm by Mr. [illegible]	The role of Women in Co-op. by Jova B. of Uganda	The role of Family Planning by F.P. Assoc. Off	Evaluation
[illegible] p.m. to [illegible]	[illegible]	The structure of the Dept. in relation to the Movement. Mr. Y. Ebyau	[illegible]	[illegible]	[illegible]	
		TOR	[illegible]	[illegible]	[illegible]	

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