

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 83

ZAMBIA

BEST AVAILABLE

JUNE 1981

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523**

FY 1983 ANNUAL BUDGET SUBMISSION

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TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Country/Office AID/Zambia

DEVELOPMENT ASSISTANCE	FY 1981 EST	FY 1982 EST	FY 1983 REQUEST			PLANNING PERIOD			
			MIN	CURR	AAPL	1984	1985	1986	1987
<u>Agriculture, Rural Development and Nutrition</u>									
Grants	--	--	--	--	--	--	--	15,000	15,000
Loans	--	--	--	--	--	--	--	20,000	20,000
<u>Economic Support Fund</u>									
Grants	5,535	10,000	--	--	15,000	15,000	15,000	--	--
Loans	15,000	10,000	--	--	10,000	10,000	20,000	--	--
Total DA and ESF	20,535	20,000	--	--	25,000	25,000	35,000	35,000	35,000

PL 480 (non-add)

Title I	(10,000)	(11,000)	--	--	(12,000)	(13,000)	(14,000)	(15,000)	(15,000)
Title II	(5,000)	--	--	--	--	--	--	--	--
Title III	--	(11,000)	--	--	(12,000)	(13,000)	(14,000)	(15,000)	(15,000)
Total Personnel	10.8	17.3	--	--	19.5	21.0	21.0	19.0	19.0
USDH	5.3	6.5	--	--	8.0	9.0	9.0	8.0	8.0
FNDH	4.9	9.7	--	--	10.4	10.9	10.9	9.9	9.9
Part-time	0.6	1.1	--	--	1.1	1.1	1.1	1.1	1.1

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
 FY 1981 to FY 1983
 (\$ thousands)

Country/Office AID/Zambia

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPL
<u>Economic Support Fund</u>					
611-0070 Commodity Import Program (L)	15,000	10,000	--	--	10,000
611-0075 Agricultural Training, Planning and Institutional Development (G)	2,000	1,785	--	--	4,990
611-0201 Agricultural Development: Research and Extension (G)	3,000	2,347	--	--	4,168
611-0203 Agricultural Sector Support (G)	--	5,215	--	--	5,842
611-0204 Chama Area Development (PVO) (G)	535	653	--	--	--
Total ESF	20,535	20,000	--	--	25,000
<u>PL 480 (non-add)</u>					
Title I	(10,000)	(11,000)	--	--	(12,000)
Title II (estimate)	(5,000)	--	--	--	--
Title III	--	(11,000)	--	--	(12,000)

TABLE V - FY 1983 PROPOSED PROGRAM RANKING

		Country/Office AID/Zambia						
RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Workmonths)	
					INCR	CUM	INCR	CUM
	<u>DECISION PACKAGE AAPL</u>							
	<u>Pipeline Projects</u>				(14,385)	84*	84*	144*
	<u>Continuing Projects</u>							
1	611-0075 Agricultural Training, Planning & Institutional Development	0	G	ESF	4,990	(12)	(12)	(12)
2	PL 480 Title I/III				(12,000)	(12)	(12)	(12)
3	611-0070 Commodity Import Program	0	L	ESF	10,000	(—)	(—)	(—)
4	611-0201 Agricultural Development: Research & Extension	0	G	ESF	4,168	(12)	(12)	(12)
5	611-0203 Agricultural Sector Support	0	G	ESF	5,842	(—)	(—)	(—)
	Program Office Workforce Increment					(12)	(12)	(12)
	Total AAPL Package & Related Workforce				25,000	84*	84*	144*
	Workforce Increment for Project Design and Technical Services							
	As noted in the Program Implementation and Staffing Strategy of the CDSS and the Table V Narrative, AID/Zambia will continue to rely heavily upon REISO/EA personnel for a range of program design as well as certain implementation activities.							
	* Since the AID/Zambia Program, as presently structured, is new, the workforce as shown is needed for pipeline as well as continuing projects. Totals include a USDI and FNDH RFFPO and a USDI and FNDH engineer for the Regional Zim-Zam Road Project (690-0209). The Road and FFP activities are an integral part of the AID Program in Zambia; the personnel are carried on AID/Zambia's staffing pattern. They do not include an IDI.							

TABLE V NARRATIVE

The AID development assistance program in Zambia is changing. As the country's economy recovers slowly, the Agency's program is gradually moving from non-project economic stabilization assistance to a more program-oriented and project-based effort directed toward agricultural and rural development.

The CDSS strategy is an evolutionary one in support of the joint AID/GRZ objectives to increase food production and raise small farm income. For several years prior to FY 1980, the AID program in Zambia consisted primarily of commodity import and PL 480 balance of payments and budgetary support. During those years, Zambia's economic and financial crisis was so severe that stabilization assistance was a critical requirement. During this period the need for structural adjustment and diversification of the economy especially towards agricultural and rural development became more and more apparent. This objective is the central theme of the GRZ's Third National Development Plan (1979-1983) and Three Year Investment Plan (1981-1983) developed in conjunction with the recent IMF agreement for 800 million SDR. Under the Plans, priority is given to revitalizing the agricultural sector. This reorientation of development focus and the prospect of a steady although heretofore slower than anticipated economic recovery has prompted a complementary transition of the AID program. This transition involves a gradual evolution from purely non-project stabilization assistance to more development program and project-based activity.

A combination of non-project and project assistance as shown in Table V is especially appropriate at this time in order for AID to function in both the policy and action arenas. Technical assistance is needed not only to help the GRZ implement agricultural programs but to promote needed policy changes. Continued commodity import programs and PL 480 food aid offer foreign exchange and local currency assistance to support and influence agricultural policies and initiatives. Directly complementing these activities are technical assistance and training programs designed to strengthen GRZ analytical and decision-making capabilities in relevant policy areas.

The FY 1983 program of \$ 25 million as reflected in Table V will allow AID/Zambia to continue the transition toward a more development oriented program. AID will continue to assist Zambia's economic recovery through the Commodity Import Program (\$ 10 million) and the PL 480 Title I/III program (\$ 12 million). Both programs will be used to encourage the GRZ to further rationalize its agricultural pricing policies and agricultural development strategy. The local currency proceeds will be utilized in support of these policies and those projects which are also in line with the AID/GRZ objectives of increasing food production and small farm income. Funds will also be utilized to support the objectives through the technical assistance, training and other elements of on-going projects in Agricultural Training, Planning and Institutional Development (\$ 5.0 million); Agricultural Development - Research and Extension (\$ 4.2 million), and Agricultural Sector Support (\$ 5.8 million).

For the above reasons and because of the essential linkages among all elements of the AID/Zambia program and the small AID/Zambia staff to implement it, only an AAPL level is shown in Table V. To do less is to diminish the influence afforded by the CIP and PL 480 programs and the key analytical tools, technical expertise and training needed to influence and guide GRZ policy changes. In addition, it is extremely difficult to work through the decision package process in a realistic fashion in light of the vicissitudes of the ESF planning and allocation of funds processes.

The AID workforce level in Zambia is small given the size, complexity and inter-relationships of all elements of the program. The projections are the minimum needed to effectively program, monitor and appraise the program.* This will not be sufficient, however, if AID/Zambia does not have the support of outside resources, especially from REDSO/EA in Nairobi, and to a lesser extent EAAC. If those services are not available or markedly diminished, the AID staff in Zambia will need, at the very least, to be doubled. Reliance on a variety of regional support services is characterized by the following:

(1) Critical support services are provided, e.g., design, contracting, engineering, procurement, legal, financial, etc.

(2) The support services are furnished and coordinated largely by REDSO/EA. The proximity of regional services has, on more than one occasion, allowed AID/Zambia to be responsive to a variety of urgent requirements in a timely fashion.

(3) As the AID/Zambia program shifts more and more from balance of payments support to a development program, REDSO is continuing to provide a range of design and technical skills needed to formulate and implement the development program. The experience brought to this effort from Nairobi is based on area specific knowledge and continuous involvement.

In sum, AID/Zambia's program and the Table V ranking of projects emanate from the CDSS objectives and strategy by utilizing the various tools at the Agency's disposal (loans, grants and food) in a coordinated and integrated fashion. Continuing support to a recovering economy is necessary to provide AID with the means to influence and reinforce GRZ policy reform. At the same time key projects have been put in place to carry out the analyses and provide the training and technical expertise which is necessary if AID is to assist the GRZ to implement needed policy changes.

* The staff includes a RFFPO and a Project Officer to manage the Regional Zim-Zam Road. While regional in scope both activities and the expertise of the incumbents are crucial and an integral part of the AID/Zambia program.

TABLE VIII

	FY 1983		FY 1983		FY 1983 APPL.	
	(\$000's)	Related Workyear	Unit Cost	(000's)	Related Workyear	Unit Cost
COST SUMMARIES						
US Direct Hire					574.9	71.9
FN Direct Hire					128.3	13.5
US Contract Pers.						
FN Contract Pers.					25.0	25.0
Housing Expense					207.2	23.0
Office Operations	XX		XX		327.5	XX
Total Budget	XX		XX		1262.9	XX
Mission Allotment	XX		XX		841.3	XX
FAAS	XX		XX		30.9	XX
Trust Fund	XX		XX			XX

AGENCY FOR INTERNATIONAL DEVELOPMENT
OVERSEAS WORKFORCE REQUIREMENTS
IN WORKMONTHS

BUREAU: BUREAU FOR AFRICA

OFFICE/COUNTRY: AID/Zambia

ITEM	US/ FN	FUNC TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	PERS CAT	WORK SHC	FY 81	FY 82	AT MIN	AT CURR	AT APPL	ABOVE PLAN LEVEL	FY 84	FY 85
1271	U	10	011	11012 AID Representative	H	-	40	12	12	12	12	12	-	12	12
1273	F	10	050	Secretary	N	-	25	12	12	12	12	12	-	12	12
	F	40	050	Secretary	N	-	20	0	12	12	12	12	*	12	12
1275	F	40	910	Training Assistant	P	-	40	12	12	12	12	12	-	12	12
1277	U	40	091	11017 General Development Officer	S	-	40	12	12	12	12	12	-	12	12
1276	U	40	103	11042 Agricultural Development Officer	H	-	40	12	12	12	12	12	-	12	12
1278	F	40	100	Project Assistant	P	-	40	2	12	12	12	12	-	12	12
	F	40	050	Secretary	N	-	40	12	12	12	12	12	-	12	12
	F	40	101	Agriculture Economist	P	-	40	0	9	12	12	12	*	12	12
1279	U	60	032	11052 Management Officer	H	-	40	12	12	12	12	12	-	12	12
1280	F	60	050	Secretary	N	-	40	12	12	12	12	12	-	12	12
	F	60		Driver	N	-	44	12	12	12	12	12	-	12	12
	F	60		Administrative Assistant	P	-	40	0	12	12	12	12	*	12	12
1281	U	40	150	11032 Regional Food for Peace Officer	M	-	40	12	12	12	12	12	-	12	12
1282	F	40	150	Food for Peace Assistant	P	-	40	4	12	12	12	12	-	12	12
	U	40	092	Project Manager	H	-	40	3	12	12	12	12	-	12	12
	F	40	256	Engineer	P	-	40	0	12	12	12	12	*	12	12
	U	20	023	Program Officer	H	-	40	0	6	12	12	12	*	12	12

PL-480 NARRATIVE

The PL 480 program in the 1970's was used to support the Zambian economy by helping to: (a) narrow wheat, vegetable oil, rice and maize import deficits; (b) provide balance of payments relief; (c) support the GRZ agricultural and rural development budgets; (d) improve GRZ national policies which provide the framework for alleviating the need for food aid; and (e) in the case of Title II, provide humanitarian assistance in response to emergency conditions.

Below is a statistical summary of recent PL 480 programs in Zambia:

<u>Title I</u>	<u>METRIC TONS</u>				
<u>Date Signed</u>	<u>\$ Level</u>	<u>Maize</u>	<u>Wheat</u>	<u>Rice</u>	<u>Veg. Oil</u>
12/3/76	\$ 5.4	-0-	16,000	-0-	5,000
8/4/78	\$ 8.4	-0-	30,000	3,000	4,000
7/19/79	\$10.0	-0-	29,000	4,000	7,000
12/2/79	\$12.5	84,000	-0-	-0-	-0-
FY 81 (Est)	\$10.0	-0-	57,000	-0-	-0-
<u>Title II</u>					
FY 79 and 80 (Est)*	\$15.0	48,000	-0-	-0-	-0-
FY 81 (Est)*	\$ 7.0	21,450	-0-	-0-	-0-

During the 1980's, the PL 480 program will be used to achieve the above same objectives. However, as the nature of the AID program in Zambia gradually shifts from general economic support to specific development activities, PL 480 will be used to complement more directly than it has in the past specific elements of AID's strategy to (a) increase total food production and (b) increase the income of the rural poor.

Recently the GRZ began to reorient its agricultural policies and initiated a variety of agricultural development projects. However, further improvements in pricing policies and increased GRZ investment in the agricultural sector are needed to fully tap Zambia's farm potential. For the past several years producer prices have been consistently below world market equivalents and this has resulted in implicit taxes on farmers, subsidies to urban consumers (their numbers tripled in the last 15 years), lower incomes and rural farmers, reduced incentives for private investment in the agricultural sector and low levels of agricultural production.

* Includes transport costs.

Producer prices for agricultural goods need to be raised in order to improve the terms of trade of the farmer vis-a-vis the urban sector. Furthermore, the difference between the actual cost of producing food and the fixed consumer prices results in significant GRZ subsidy requirements. For the most part GRZ budget allocations to the agricultural sector have consisted of these subsidies and not agricultural development activities per se.*

In FY 81 the PL 480 Title I and II programs, in conjunction with the CIP loan and supported by the technical assistance projects, were linked to (a) further GRZ initiatives to rationalize its agricultural pricing policies, (b) improve terms of trade for the small farmer, (c) increase producer prices, and (d) a reduction in the size of the GRZ's maize subsidy. During the FY 82-84 period AID intends to develop, if possible, a Title I/III program that "ties" local currency generations through a Special Account to additional GRZ activities which further AID's strategy objectives. Although there should be less need for maize imports during these years, deficits in wheat, vegetable oil and rice are expected to continue through the 1980's. The following are rough projections of food import needs during the early 1980's.

Corn

In the mid-1970's Zambia was a surplus producer of its staple, corn. By 1979 only about 50% of the nation's marketed corn consumption requirements (estimated at 720,000 MT) were met with domestic production, and the 1980 performance was not much better. Although there has been some recovery in 1981, local supply has still not reached demand, which (given normal economic conditions) increase at approximately 5% per annum. Maize self-sufficiency should be achieved by 1982, but even if there is a shortfall, it can be met with imports from Zimbabwe or South Africa. Therefore, corn will probably not be included in the FY 82-84 PL 480 program.

Wheat/Vegetable Oil/Rice

Demand for wheat, vegetable oil and rice far outstrips domestic production, and foreign exchange shortages have prevented Zambia from purchasing imports necessary to make up the deficit. As a result, these commodities are normally scarce even though demand for them is strong. In short, the supply of these commodities dictates demand.

* According to a recent World Bank report, during the 1975-80 period over 80% of the Ministry of Agriculture's recurrent budget was used for subsidies, while only 20% was spent on providing actual agricultural services to the farmers.

Estimated Average Annual Supply Demand
Wheat, Veg. Oil and Rice - 1975-81

	<u>Est. Annual Demand</u>	<u>Actual Annual Supply</u>	<u>Imports as % of Supply</u>
Wheat	160,000 MT	95,000 MT	94%
Vegetable Oil	23,000 MT		%
Rice	18,000 MT	6,770 MT	70%

For FY'82, '83 and '84 annual Title I/III shipments of the following approximate amounts are contemplated:

Wheat	40,000 - 42,000
Veg. Oil	2,600 - 2,700
Rice	2,000 - 2,200

Distribution and Storage

In the late 1970's hostilities in Zimbabwe, Namibia, and Angola severely limited Zambia's transport route options which are inherently complex. With the return to normal of the lines of communications through Zimbabwe and Mozambique, however, Zambia's transport constraints have eased somewhat, and movement of PL 480 food from Indian Ocean ports to distribution points within Zambia are less risky. However, the performance of East and Southern African ports is spotty at best, and, as a landlocked country, Zambia always remains vulnerable to conditions in its 8 border nation states. A thorough review of transport conditions is therefore, required prior to any PL 480 shipment.

There are no serious shortages of physical food grain storage space in Zambia, although warehouse mismanagement is responsible for sizeable losses of corn during harvest. Storage capacity should also be reviewed prior to any PL 480 shipment.

Disincentive Effects

Food grain shipped in the amounts indicated should not result in any disincentive to domestic food production. On the contrary, the PL 480 program, in conjunction with AID CIP loans and technical assistance projects, are a means through which AID is encouraging Zambia to rationalize its food policies, producer prices and reduce its agricultural subsidies. In addition, through demand creation, wheat, rice and vegetable oil imports during the 1970's served to stimulate domestic production (e.g., until 1975 there was no marketed production of wheat in Zambia; from 1975 to 1978 wheat production increased an average of 200% per year), and, if carefully programmed with due consideration for other agricultural policies should continue to do so in the future.

VEGETABLE OIL/RICE/WHEAT
MARKETED PRODUCTION AND IMPORTS - 1975/76 to 1983/84

		<u>Wheat</u>	<u>Veg Oil</u>	<u>Rice</u>
1975/76:	Domestic Prod.	934	--	990
	Imports	63,037	--	9,000
	Total Supply	63,971	--	9,990
1976/77:	Domestic Prod.	3,459	--	2,224
	Imports	104,905	--	6,000
	Total Supply	108,364	--	8,224
1977/78:	Domestic Prod.	4,741	--	2,090
	Imports	94,942	--	6,468
	Total Supply	99,683	--	8,558
1978/79:	Domestic Prod.	6,400	--	2,770
	Imports	120,235	--	5,669
	Total Supply	126,635	--	8,439
1979/80:	Domestic Prod.	4,322	--	1,686
	Imports	69,594	--	-0-
	Total Supply	73,916	--	1,686
1980/81: (Est)	Domestic Prod.	9,576	--	1,900
	Imports	70,000	--	2,100
	Total Supply	79,576	--	4,000
1981/82: (Est)	Domestic Prod.	10,100	--	2,800
	Imports	104,000	--	3,500
	Total Supply	114,100	--	6,300
1982/83: (Est)	Domestic Prod.	12,000	--	3,000
	Imports	100,000	--	5,000
	Total Supply	112,000	--	8,000
1983/84: (Est)	Domestic Prod.	14,000	--	3,400
	Imports	102,000	--	5,000
	Total Supply	116,000	--	8,400

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1981			Estimated FY 1982			Projected FY 1983			Carry into FY 1984 \$ MT
	Agreement \$ MT	Shipments \$ MT	Carry into FY 1982 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1983 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1984 \$ MT	
<u>Title I</u>										
Wheat	10 57.0	10 57.0	-0- -0-	8 40.0	8 40.0	-0- -0-	9 42.0	9 42.0	-0- -0-	
Rice	-0- -0-	-0- -0-	-0- -0-	1 2.2	1 2.2	-0- -0-	1 2.0	1 2.0	-0- -0-	
Veg. Oil	-0- -0-	-0- -0-	-0- -0-	2 2.7	2 2.7	-0- -0-	2 2.6	2 2.6	-0- -0-	
<u>Total</u>	\$10 57.0	\$10 57.0	-0- -0-	\$11 44.9	\$11 44.9	-0- -0-	\$12 46.6	\$12 46.6	-0- -0-	
Of which <u>Title III</u>										
				8 40.0	8 40.0	-0- -0-	9 42.0	9 42.0	-0- -0-	
				1 2.2	1 2.2	-0- -0-	1 2.0	1 2.0	-0- -0-	
				2 2.7	2 2.7	-0- -0-	2 2.6	2 2.6	-0- -0-	
				\$11 44.9	\$11 44.9	-0- -0-	\$12 46.6	\$12 46.6	-0- -0-	

COMMENT: AID/Zambia will sign a Title I agreement in FY 81, and one of its Self-Help measures is to develop, in conjunction with AID/Zambia, an FY 82 Title I/III program. During the last quarter of FY 81 and first quarter of FY 82 AID/Zambia will attempt to develop a multi-year Title III program for the period FY 82, FY 83 and FY 84. If such a program cannot be developed, the FY 82 Title I program may tie the local currency generations through a special account for specific development activities which support ODS objectives.