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ANNUAL BUDGET SUBMISSION

FY 82

ZAMBIA

BEST AVAILABLE

JUNE 1980

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

UNCLASSIFIED

FY 1982

ANNUAL BUDGET SUBMISSION

USAID/ZAMBIA

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FY 1982 ANNUAL BUDGET SUBMISSION

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FY 1982 ANNUAL BUDGET SUBMISSION

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

Development Assistance	FY 1980 EST.	FY 1981 EST.	Decision Unit AID/Zambia FY 1982 REQUEST MIN	CURR	AARL	PLANNING PERIOD 1983	1984	1985	1986
Agriculture, Rural Development and Nutrition									
Grants	--	--	--	--	--	--	15,000	20,000	20,000
Loans	--	--	--	--	--	--	20,000	25,000	30,000
Economic Support Fund									
Grants	3,000	7,000	--	--	10,000	15,000	--	--	--
Loans	20,000	20,000	--	--	15,000	15,000	--	--	--
Total DA and FSF	23,000	27,000	--	--	25,000	30,000	45,000	45,000	50,000
PL 480 (non-add)									
Title I	(12,500)	--	--	--	--	--	--	--	--
Title III	--	(13,500)	--	--	(15,000)	(15,000)	(17,000)	(20,000)	(20,000)
TOTAL PERSONNEL									
USDH	4	5	--	--	6*	6	6	7	7
FNDH	4	7	--	--	9*	9	9	10	10

* See Narrative and Table V

Table I Narrative

Part I

AID's program in Zambia during the past few years has been limited to commodity import and PL 480 programs which have helped Zambia through a period of serious balance of payments problems caused by losses in revenues, transport problems and other adversities related to regional stability.

AID's strategy is to continue the commodity import and PL 480 programs as the economy recovers and peace returns to the region, while increasing support for the government's efforts to diversify the economy, especially in agriculture development. The gradual redirection of AID's assistance towards the agricultural sector will help Zambia move away from over-reliance on mineral resources toward the AID/GRZ objectives of increased food production and increased small farmer income.

This ABS reflects the reorientation of the AID program by moving from ESF to Development Assistance financing in FY 1984, by shifting from PL 480 Title I to Title III in FY 1981 or FY 1982 and by commencing significant development projects in FY 1980. Recognizing Zambia's potential economic resources, the planned program reflects a mix of loans and grants as AID moves away from balance of payments support.

In carrying out the AID program, Zambia is one of several field posts in Africa where for political, logistical, environmental or programatic reasons, fully staffed offices are not in order. The level and mode of assistance proposed in this ABS will stretch the absorptive capacity of the Government, but this is a key element to be addressed by the AID program itself. The proposed program will also stretch the capacity of the local AID office, but it can be handled satisfactorily if a core AID staff is in place and if the strategy noted under Part II below is followed. A core staff including local professional personnel is mandatory to direct, program, budget, implement, support, monitor and evaluate the planned program. To manage by FY 1982 a $40 million program (including PL 480) requires at least one U.S. direct-hire employee for executive direction, three for implementation by sector/program, one for program planning and one for administrative support.

Part II

The proposed direct hire personnel planning level is at odds with AID/W projections, but anything less undercuts AID/Zambia's CDSS implementation and staffing strategy which is predicated on the limited staffing noted in Part I to carry out what has

been in recent years the second largest program south of the Sahara. To implement the strategy four guidelines are to be followed:

1. Now that a discrete strategy has been developed with the GRZ, AID's program will adhere firmly to it, utilizing the various tools at the Agency's disposal (loans, grants and food) in a coordinated and linked fashion. Virtually all else will be set aside. Time consuming, small projects through PVO's will be undertaken only if they clearly fall within the stated strategy. They must promise a potential payoff either as pilot projects or initial phases leading to larger activities within the agreed strategy. Defining a strategy and sticking to it will minimize the overall number of people needed to manage the AID/Zambia program and will ease problems of monitoring, evaluation and accountability.

2. AID/Zambia will continue to rely on outside resources for critical support activities, for instance, design, contracting, engineering, procurement, and legal services, many of which are not of long duration.

3. The support services will be provided or coordinated largely by the nearby Regional Economic Development Services Office (REDSO). The proximity of regional services has on more than one occasion allowed the AID Office to be responsive to a crisis situation such as the present food emergency in Zambia. Communications with Nairobi are easy, and there are frequent non-stop flights to and from Nairobi.

4. As the Zambia program shifts from balance of payments support to development projects, REDSO will continue to provide or arrange for the design and technical skills needed to develop projects based on area specific knowledge and continuous involvement.

The combination of a core staff and planned and programmed utilization of the outside assistance described above will rationalize and maximize AID personnel resources in the years ahead as we do "more with less."

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1980 TO FY 1982
($ thousands)

Decision Unit AID/Zambia

APPROPRIATION ACCOUNT	FY 1980	FY 1981	FISCAL YEAR 1982 MINIMUM	FISCAL YEAR 1982 CURRENT	FISCAL YEAR 1982 AAPL
Economic Support Fund					
611-0070 Commodity Import Program (L)	20,000	15,000	--	--	10,000
611-0075 Institutional Development and Manpower Training (G)	1,000	3,000	--	--	5,000
611-0201 Agriculture and Rural Development (G)	2,000	4,000	--	--	5,000
611-0203 Agriculture Sector Support (L)	--	5,000	--	--	5,000
Total Economic Support Fund	23,000	27,000	--	--	25,000
Total DA and ESF	23,000	27,000	--	--	25,000
PL 480 (Non-add)					
Title I	(12,500)	--	--	--	--
Title III	--	(13,500)	--	--	(15,000)

DECISION UNIT: AID/Zambia

TABLE IV PROJECT BUDGET DATA

PROJECT			OBLIGATION DATE		DATE OF NEXT PLANNED NON-ROUTINE EVAL.	ESTIMATED U.S. DOLLAR COST ($000)									
						CUM. PIPELINE AS OF 9/30/79	FY 1980			FY 1981			FY 1982	FORWARD FUNDED TO (MO/YR)	FUTURE YEAR OBLIGATIONS
NUMBER	TITLE	G/L	INITIAL	FINAL			OBLIG.	EXPEND.	CUM. PIPELINE	OBLIG.	EXPEND.	CUM. PIPELINE	APL OBLIG.		
611-0070	Commodity Import Program	L	TQ	1984*	NA	5,268	20,000	20,268	5,000	15,000	15,000	5,000	10,000	NA	10,000
611-0075	Institutional Development and Manpower Training	G	1980	1983	9/82	--	1,000	350	650	3,000	2,500	1,150	5,000	3/84	5,000
611-0201	Agriculture and Rural Development	G	1980	1984	9/82	--	2,000	500	1,500	4,000	3,500	2,000	5,000	3/84	5,000
611-0203	Agriculture Sector Support	L	1981	1985*	NA	--	--	--	--	5,000	3,500	1,500	5,000	NA	15,000
	Total Economic Support Fund						23,000	21,118	7,150	27,000	24,500	9,650	25,000		35,000

AID 1330-8 (4-80)

Table V Narrative

Decision Package: Minimum, Current and AAPL

The Table I narrative outlines the reorientation of the AID/Zambia program away from balance of payments support toward one which is focused more directly on development activities as called for in the CDSS. However, as the CDSS, ABS, CP and earmarking process for FY 1980 and FY 1981 has unfolded, the AID program in Zambia has suffered cutbacks of between 30 to 40% in both years. Given the overall USG budgetary situation and the competing demands on ESF funds, there is reason to believe that this trend may continue. This reality, together with the critical need to reorient the program along the lines described in the CDSS, is reason enough to recommend that the AAPL funding level also be the minimum level below which the existing CDSS strategy cannot be pursued. (The FY 82 AAPL is already below the FY 81 CP level.) Any cuts additional to those which have already occurred in FY 80 and which are already planned for FY 81 will cripple USG efforts to support the nation's recovery at a time when Zambia's political role has become critical to U. S. interests in the Southern African region. AID, through the proposed programs can contribute significantly as Zambia intensifies its commitment to agriculture development and strives for self-sufficiency. It is in this context that a minimum level of assistance equal to the Approved Assistance Planning Level is recommended.

The choice and ranking of projects in Table V are predicated on the phasing out of the balance of payments activity which has loomed large over the last few years in the AID program. It should not be terminated precipitously, however. At the same time, as the economy recovers and peace takes hold in the region, an AID development program is being mounted in a fashion which promises to be relatively smooth and rational. The keys to this transition are two projects (Agriculture and Rural Development and Institutional Development and Manpower Training) which appear in Table V. The PL 480 Title III program and Agriculture Sector Support Loan provide important and complementary linkages in accomplishing the AID/GRZ goals of increasing food production and small farmer income.

Personnel levels above those provided by AID/W to manage the programs are shown in Table V. This is explained in the Table I narrative together with the manner in which local and external AID resources will be utilized to implement the program.

Bureau Code: Decision Code:

TABLE V - FY 1982 PROPOSED PROGRAM RANKING

DECISION UNIT AID/Zambia

RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	PIPELINE/ ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING ($000) INCR	PROGRAM FUNDING ($000) CUM	WORKFORCE (Number of Positions) USDH INCR	USDH CUM	FNDH INCR	FNDH CUM
	DECISION PACKAGE AAPL									
1	611-0070 Commodity Import Program	0	L	ESF	10,000	10,000				
2	611-0075 Institutional Development and Manpower Training	0	G	ESF	5,000	15,000				
3	611-0201 Agriculture and Rural Development	0	G	ESF	5,000	20,000				
4	PL 480 Title III				(15,000)					
5	611-0203 Agriculture Sector Support	0	L	ESF	5,000	25,000				
	BASIC WORKFORCE						6**	6**	9**	9**
	Workforce Increment for Project Design*						--	--	--	--

* Assumes as noted in the Program Implementation and Staffing Strategy of the CDSS that, with limited staff, AID/Zambia will continue to rely heavily upon REDSO/EA, AID/W and EAAC personnel for project development as well as certain selected implementation activities.

** Personnel Planning Level is five USDH and four FNDH. See narrative.

AID 1330-9 (4-80)

FY 82 AAPL
9
0
1
10
8
18

FY 82 AAPL
--
--
--
--
--

TABLE VII
OPERATING EXPENSE FUNDED PERSONNEL
YEAR END POSITIONS

FUNCTIONS	FY 79				FY 80				FY 81			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
Executive Direction	2				2				1	1		
Program Planning												
Project Design *												
Project Implementation		1			1	1			2	3		
Financial Management												
Mission Support		1				2			1	2		
Non Mission Specific					1	1			1	1		
TOTAL.....	2	2	--	--	4	4	--	--	5	7	--	--
PLUS: PASAs (OE & Program)	--				--				--			
LESS: JAO Details	--	IDIs			--	IDIs			--	IDIs		
MODE Required	2	--			4	--			5	--		

TABLE VII

FUNCTIONS	FY 82 MINIMUM				FY 82 CURRENT				FY 82 AAPL			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
Executive Direction									1	1		
Program Planning									1	1		
Project Design *												
Project Implementation									2	3		
Financial Management												
Mission Support									1	3		
Non Mission Specific									1	1		
TOTAL.....	--	--	--	--	--	--	--	--	6**	9**	--	--
PLUS: PASAs (OE & Program)	--				--				--			
LESS: JAO Details	--	IDIs			--	IDIs			--	IDIs		
MODE Required	--	--			--	--			6**	1		

* Assumes as noted in the Program Implementation and Staffing Strategy of the CDSS that, with limited staff, AID/Zambia will continue to rely heavily upon RESO/EA, AID/W and EAAC personnel for project development as well as certain selected implementation activities (e.g., constructing, engineering, legal, etc.).

** Personnel Planning Level is five USDH and four FNDH. See Table I and Table V Narratives.

TABLE VIII

OPERATING EXPENSE SUMMARY 1/

COST SUMMARIES	FY 1979			FY 1980			FY 1981		
	($000's)	Related Workyear	Unit Cost	($000's)	Related Workyear	Unit Cost	($000's)	Related Workyear	Unit Cost
US Direct Hire	83	1.9	44	160	2.7	59	298	5.0	60
FN Direct Hire	10	1.0	10	20	2.9	7	64	7.0	9
US Contract Pers.	--	--	--	23	0.3	77	--	--	--
FN Contract Pers.	--	--	--	--	--	--	--	--	--
Housing Expense	35	1.5	23	221 3/	2.0	32	138	3.0	46
Office Operations	238	xx	xx	183	xx	xx	259	xx	xx
Total Budget	366	xxx	xxx	607 3/	xx	xx	759	xx	xx
Mission Allotment	319	xxx	xxx	496 3/	xx	xx	519	xx	xx
FAAS	2/	xxx	xxx	21	xx	xx	23	xx	xx
Trust Fund	--	xxx	xxx	--	xx	xx	--	xx	xx

1/ Prepared in collaboration with EAAC.

2/ FY 79 actual FAAS costs are not available.

3/ FY 80 total budget and AID/Zambia allotment amounts include $156,000 alloted for 636(c) requirements. This amount is reflected against the "Housing Expense" line item.

TABLE VIII

COST SUMMARIES	FY 1982 MINIMUM ($000's)	FY 1982 MINIMUM Related Workyear	FY 1982 MINIMUM Unit Cost	FY 1982 CURRENT (000's)	FY 1982 CURRENT Related Workyear	FY 1982 CURRENT Unit Cost	FY 1982 AAPL ($000's)	FY 1982 AAPL Related Workyear	FY 1982 AAPL Unit Cost
US Direct Hire							371	5.8	64
FN Direct Hire							89	9.0	9
US Contract Pers.							--	--	--
FN Contract Pers.							--	--	--
Housing Expense							160	4.0	40
Office Operations		xx	xx		xx	xx	277	xx	xx
Total Budget	--	xx	xx	--	xx	xx	897	xx	xx
Mission Allotment	--	xx	xx	--	xx	xx	608	xx	xx
FAAS	--	xx	xx	--	xx	xx	27	xx	xx
Trust Fund	--	xx	xx	--	xx	xx	--	xx	xx

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING
POSITION REQUIREMENTS - FY 1980-1982
(By Function, Organizational Unit, Position Title and Professional Speciality)

DECISION UNIT: AID/Zambia

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS									
	FY 1980		FY 1981		FY 1982					
					Minimum		Current		AAPL	
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH
Executive Direction										
AID Representative	1		1		--	--	--	--	1	
Executive Assistant***	1				--	--	--	--		
Executive Secretary				1	--	--	--	--		1
Subtotal Executive Direction	2		1	1	--	--	--	--	1	1
Program Planning										
Program Officer					--	--	--	--	1	
Program Assistant					--	--	--	--		1
Subtotal Program Planning					--	--	--	--	1	1
Project Design and Implementation*										
Agriculture Development Officer	1		1		--	--	--	--	1	
General Development Officer			1		--	--	--	--	1	
Project Assistant		1		3	--	--	--	--		3
Subtotal Project Design and Implementation	1	1	2	3	--	--	--	--	2	3
Mission Support										
Management Officer***			1		--	--	--	--	1	
All Other (non-professional)		2		2	--	--	--	--		3
Subtotal Mission Support		2	1	2	--	--	--	--	1	3
Non-Mission Specific										
Regional Food for Peace Officer	1		1		--	--	--	--	1	
Food for Peace Assistant		1		1	--	--	--	--		1
Subtotal Non-Mission Specific	1	1	1	1	--	--	--	--	1	1
TOTAL	4	4	5	7	--	--	--	--	6**	9**

* Assumes as noted in the Program Implementation and Staffing Strategy of the CDSS that, with limited staff, AID/Zambia will continue to rely heavily upon REDSO/EA, AID/W and EAAC personnel for project development as well as certain selected implementation activities (e.g.,contracting, engineering, legal, etc.)

** Personnel Planning Level is five USDH and four FNDH. See Table I and Table V Narratives.

*** At the end of FY 1980 and the beginning of FY 1981, there will be a short dual incumbency period.

AID 1550-18 (4-80)

PL 480 Narrative

As one of the Frontline States supporting the Zimbabwe liberation effort, there have been direct and indirect costs which, taken together with the significant drop in copper prices, have crippled Zambia's economy. From 1977 through 1979 the GDP fell about 12% with a 9% drop in 1979, the last year of the war. The standard of living during the same period dropped even further with price increases averaging some 20% in 1979. The unemployment rate currently stands at 33%, and the agriculture sector, once a surplus producer of Zambia's staple corn, has been particularly hard hit with three successive poor crops. In 1979 only about 50% of the nation's corn consumption requirements were met with domestic production, and the prospects for 1980 are nearly as bad. The amount of marketed production of corn during the past few years reveals a significant decline in the ability of the country to meet its estimated annual consumption requirements with domestic production. In addition, demand projections forecast a per annum increase in these requirements of roughly 5%.

Marketed Production of Corn

1976	-	749,971 MT
1977	-	689,718 MT
1978	-	577,815 MT
1979	-	333,945 MT
1980	-	390,000 MT (est.)

Demand for cooking oil and wheat, two other essential commodities, is also expected to increase considerably during the early 1980's. Vegetable oil requirements will increase from approximately 20,000 tons in 1979 to roughly 25,000 tons by 1983. Even under the best of circumstances it is unlikely that half of this can be met by domestic production (principally sunflower and soya bean). Likewise wheat consumption requirements should rise from its present 160,000 tons to roughly 175,000 in 1983, and, despite increased GRZ emphasis on wheat production, domestic production (currently 10% of demand) will not be able to reach self-sufficiency in the foreseeable future.

Now that hostilities are over, the economy faces a very difficult adjustment period in the immediate future. Recovery is dependent on critical GRZ policy decisions and resource allocations. Although higher world copper prices in late 1979 and 1980 have improved the Zambian

balance of payments situation somewhat, the impact on various sectors of the economy, especially the agriculture sector, will be slow because of declining productivity, the strained financial position of the parastatals which contribute well over 50% of the GDP, GRZ budget deficits and the overall shortage of managerial talent. However, given normal rainfall patterns during the next few years and reasonably successful agricultural development policies and programs, Zambia should be able to build its corn stocks back to normal and attain self-sufficiency in this staple by about 1985.

The FY 79 and FY 80 PL 480 Title I and Title II programs supported Zambia during a difficult period by helping to: (a) meet the emergency corn deficit; (b) provide balance of payments relief; (c) support the GRZ's agriculture and rural development budgets; and (d) exert a positive influence on GRZ agriculture policies.

All of these PL 480 objectives will be continued through the early 1980's. However, as the nature of the overall AID program gradually shifts from general economic support to specific development activities, the FY 82 PL 480 program, through Title III, will be used to complement more directly than in the past AID's CDSS agriculture strategy to increase small farmer productivity which, in turn, will contribute to increased food production, and, more importantly, to increased incomes for the rural poor.

While the GRZ has recently begun to reorient its agriculture pricing policies and has initiated a variety of agricultural development projects designed to achieve these objectives, a Title III program will assist the GRZ to adopt and implement further agriculture policy improvements. At present the primary focus of GRZ food policy makers is on coping with short-term supply needs and minimizing consumer costs for food, particularly for the politically volatile urban sector. The GRZ has a monopoly on the sales of Zambia's staple, corn meal, and sells it at highly subsidized prices. Since these subsidized prices are also statutory market ceiling prices, the net effect of this policy has been to depress food prices and insulate those in the city who have the incomes to pay more for food. Such food price distortions need to be eliminated in order to improve the terms of trade of the farmer vis-a-vis the urban sector. Furthermore, the differential between the GRZ's corn procurement price and the consumer resale price contributes significantly to the adverse financial position of the GRZ budget. The FY 1982

PL 480 program, therefore, will focus on encouraging the GRZ to (a) further rationalize its food and pricing policies and (b) to use PL 480 local currency proceeds for GRZ projects which increase the productivity of small farmers and improve food distribution systems. More specifically, food aid will be linked to GRZ initiatives to:

(A) Improve the terms of trade for the small farmer by supporting farm gate prices which are equal to the costs of production plus a reasonable margin of profit. This can be best accomplished through effective procurement programs which reach the small farmer;

(B) Reduce the size of the GRZ's total food subsidy; and

(C) Use PL 480 Title III local currency generations to (i) provide small farmers with the inputs (especially fertilizer and credit) and technical services needed to increase productivity, and (ii) improve food distribution and marketing facilities in the rural areas.

Implementation of this food aid strategy will begin in FY 81 with a $13.5 million PL 480 program. The 1980 drought-induced corn deficit, which comes on the heels of an even poorer crop in 1979, has depleted GRZ stocks to one-fourth of the 1977 level. This critical shortfall, coupled with traditional deficits in vegetable oil, wheat and rice, necessitates the increase in the CP 1981 budget from $10 to $13.5 million. This increase, however, will be concomitant, if at all feasible, with an FY 81 Title III program, or a Title I program with more specific self-help provisions and GRZ assurances that additional policy improvements, along the lines cited above, are being undertaken. Although Table I projects an increased PL 480 budget through FY 1986, reductions could be in order as early as FY 85 if the GRZ and AID agricultural strategy is successfully implemented.

Distribution Systems - Hostilities in Zimbabwe and Angola severely limited Zambia's transport route options which are inherently complex and dependent on conditions in eight border states. With the return to normal of the lines of communications through Zimbabwe and Mozambique, however, these transport constraints will be eased considerably and movement of PL 480 food from Indian Ocean ports to distribution points within Zambia are certain to be more efficient and less risky. Internal handling and storage shortcomings will be addressed in self-help provisions and/or joint programming of PL 480 local currency proceeds.

TABLE XI
Country: ZAMBIA
P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1980 Agreement $	FY 1980 Agreement MT	FY 1980 Shipments $	FY 1980 Shipments MT	FY 1980 Carry into FY 1981 $	FY 1980 Carry into FY 1981 MT	Estimated FY 1981 Agreement $	Estimated FY 1981 Agreement MT	Estimated FY 1981 Shipments $	Estimated FY 1981 Shipments MT	Estimated FY 1981 Carry into FY 1982 $	Estimated FY 1981 Carry into FY 1982 MT	Projected FY 1982 Agreement $	Projected FY 1982 Agreement MT	Projected FY 1982 Shipments $	Projected FY 1982 Shipments MT	Projected FY 1982 Carry into FY 1983 $	Projected FY 1982 Carry into FY 1983 MT
Title I																		
Corn	12.5	104	12.5	70	0	0	10	83.3	10	83.3	0	0	7	53.8	7	53.8		
Vegetable Oil							3.5	4.96	3.5	4.96	0	0	5	6.9	5	6.9		
Wheat													3	17.6	3	17.6		
Total																		
Of which Title III													7	53.8	7	53.8		
													5	6.9	5	6.9		
													3	17.6	3	17.6		
Total																		

COMMENT: (1) See PL 480 Narrative regarding recommended program changes.

(2) Corn should arrive in Zambia during the second quarter of the fiscal year.