

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 1980

ZAMBIA

**DEPARTMENT
OF
STATE**

JUNE 1978



AGENCY FOR INTERNATIONAL DEVELOPMENT

FY 1980

ANNUAL BUDGET SUBMISSION

for

ZAMBIA

June 1978

ANNUAL BUDGET SUBMISSION

TABLE OF CONTENTS

	<u>Page</u>
I. Table I - Long Range Plan	1
II. Table III - Summary of Resources	3
III. Table IVA & IVB - Activity Data	5
(A) Security Supporting Assistance	5
1. Commodity Import Loan	5
(B) Development Assistance	8
1. Manpower Development and Training	8
2. Agro-Industrial Development	11
(C) PL 480 Title I (Non-Add)	14
IV. Decision Unit Overview	17
V. Decision Packages	21
(A) Minimum	21
(B) Current	23
(C) Proposed	25
VI. Table V - Proposed Program Ranking	27
VII. Workforce and Operating Expenses	28
VIII. Table VI - Funding for Special Concerns	34
IX. Evaluation Plan	35
X. PL 480 Title I	36
XI. PL 480 Title II	37
XII. Population Planning - Commodities	38
XIII. Research and Development	39

1/ Regional Training Project. Funds allotted to OSARAC

TABLE 1 - LONG RANGE PLAN
(\$ MILLIONS)

Decision Unit Zambia

	FY 1978	FY 1979	FY 1980		FY 81	PLANNING PERIOD				
	EST.	REQ.	FIN.	CURRENT		PROF	FY 81	FY 82	FY 83	FY 84
<u>Food & Nutrition</u>										
Grants	-	-	-	-	-	1	2	-	-	-
Loans	-	-	-	-	-	-	-	4	-	2
<u>Population (none)</u>										
<u>Health (none)</u>										
<u>Education</u>										
Grants	-	.5	-	.5	.5	.5	.5	.5	.5	.3
Loans	-	-	-	-	-	-	-	-	-	-
<u>Selected Development Activities (none)</u>										
<u>Total Functional Accounts</u>										
Grants	-	.5	-	-	1.5	1.5	2.5	.5	.5	.3
Loans	-	-	-	-	-	-	-	4	-	2
<u>Other Accounts (none)</u>										
<u>Security Support. Assist.</u>										
Grants	.35	-	-	-	-	-	-	-	-	-
Loans	-	20	30	30	30	15	10	5	-	5
<u>Total Program</u>										
Grants	.35	.5	.30	.5	1.5	1.5	2.5	.5	.5	.3
Loans	30	20	30	30	30	15	10	9	-	7

TABLE 1 - LONG RANGE PLAN
(\$ MILLIONS)

Title I	FY 1978	FY 1979	FY 1980	FY 1981	PLANNING PERIOD		
	EST.	REQ.	CURRENT	PROP.	FY 81	FY 82	FY 83
PL 480 (NON-ADD)	(8.5)	(10)	(10)	(10)	(5)	-	-
Housing Guarantees (None)							
Personnel (In workyears)							
Mission - US	1.2	2	2	2	2	2	2
" - FN	.4	2	2	2	2	2	2
TDY - USDH	.3	.9	.3	.6	.5	.5	.5
Contract, other	-	-	-	-	-	-	-
<u>Operating Expenses</u>	141.1	112.8		140.4			

ACTIVITY	FY 1978		FY 1979		FY 1980		COMMITMENT		PROPOSED	
	FUNDING	PERSONNEL	FUNDING	PERSONNEL	FUNDING	PERSONNEL	FUNDING	PERSONNEL	FUNDING	PERSONNEL
<u>Program Activities</u>										
<u>Security Supporting Assistance</u>										
Commodity Import Loan	1/ 30,000	.4	20,000	.4	30,000	.6	30,000	.6	30,000	.6
Southern Africa and Skills Training	350	.2		.2						
Sub-total	30,350	(.6)	(20,000)	(.4)	30,000	(.6)	30,000	(.6)	30,000	(.6)
<u>Development Assistance</u>										
Manpower Development and Training			500	.1	1		500	.1	500	.1
Agro-Industrial Development				.3					1,000	.1
Sub-total			(500)	(.4)	(1)		(500)	(.1)	(1,500)	(.2)
Total Program Funding	30,350	.6	20,500	.8	1	30,000	.6	30,500	.7	1
PL 480 Title I (non add)	(8,500)	.2	(10,000)	.2				(10,000)	.2	

1/ Regional Project. Funds allotted to OSARAC. \$150,000 to be obligated by Zambia in FY 1978 to cover Zambian Training Programs and Training Project. To be replaced in FY 1979 by Manpower Development

TABLE III - SUMMARY OF RESOURCES - BY ACTIVITY
 (FUNDING IN \$ 500 AND OPERATING EXPENSES-FUNDED PERSONNEL IN WORKYEARS, (XX, X))

DECISION UNIT
 Zambia

ACTIVITY	FY 1978		FY 1979		M300X		MINIMUM		FY 1980		PROPOSED	
	FUNDING	PERSONNEL US FN	FUNDING	PERSONNEL US FN								
<u>Non Program Activities</u>												
Policy Direction and Management		.6	.2	1.2	1		.4		1.4	1	1.4	
Financial Management												
Mission Support												
IDI's												
Non-Mission Specific Personnel												
Operating Expenses:												
Personnel												
Housing												
Office Operation												
Total		1.4	.4	2.2	2.0		1.0		2.3	2.0	2.4	21

Decision Package
Minimum

III. Table IVA & IVB - Activity Data Narrative

(A) Security Supporting Assistance1. Commodity Import Loan - Project No. 611-0070Purpose

To provide balance of payments assistance by financing high priority imports of key commodities.

Background

In recent years Zambia has faced a serious economic crisis. Depressed copper prices worldwide, increased cost due to transport dislocations, inflationary increases in import prices, and reduced budgetary resources have threatened the entire economy.

Zambia has introduced a series of austerity measures beginning in early 1975 and including a 20 percent currency devaluation in July 1976, and most recently as a condition to the current IMF standby agreement a further devaluation of 10 percent in March 1978. Although the austerity measures have been effective in restraining imports and improving budget performance, low copper prices and continued conflict in Rhodesia have worked strongly against the Government's stabilization efforts and present indications are that Zambia's economic situation will not improve significantly before 1980.

The Commodity Import Loan is viewed as the minimum assistance level for FY 1980 which would contribute to our objective of assisting the country through the current severe economic crisis. Although an AID assistance strategy for Zambia does not exist, (such a document will be developed in conjunction with and as a result of the SADAP study), when prepared it will undoubtedly be consistent with the Government of Zambia's stated objective of economic diversification with special emphasis on increased agricultural production and rural development.

Progress to Date

During FY 1978, the third commodity import loan was signed for \$30 million bringing total program lending to \$55 million. These loans have all financed the import of key commodities at times when the Government of Zambia has been hard pressed for foreign exchange.

Beneficiaries

This support has benefited a large segment of the Zambian population. Most of the commodities imported under this program are for use in the agricultural sector e.g. fertilizer, stockfeeds and various types of equipment. The commodities themselves are made available through normal marketing channels to individuals, small-scale, emergent and commercial farmers.

Current Year Program

While it is not yet known what commodities would be financed with current year funds, it is clear that the funds will be vital in assisting the GRZ in meeting its import requirements.

Budget Year Program

It is expected that the FY 1980 loan will assist the GRZ in meeting import requirements of selected agricultural commodities.

Major Outputs

The most significant output of the loan itself is the local currency generated by the sale of the commodities imported under the loan. Such funds become a part of GRZ's budget and are used to support Rural Development and other activities aimed at diversifying the economy. This aspect of the loan is becoming increasingly important as the Government begins to concentrate more of its resources in the agriculture sector.

**TABLE IVB
ACTIVITY BUDGET
DATA**

ACTIVITY TITLE	Commodity Import Loan		DECISION UNIT	Zambia	DECISION PACKAGE	Minimum	BUDGET YEAR	FY 1980
PROJECT NUMBER	611-0070		INITIAL OBLIGATION	5,000	FINAL OBLIGATION	to be determined	TOTAL COST	to be determined
APPROPRIATION	SA		DATE PP/REVISION	None	DATE LAST PAID	None	DATE NEXT PAID	See evaluation plan

ESTIMATED U.S. DOLLAR COST (\$ 000)

ACTIVITY INPUTS	TOTAL	FY 1979			FY 1980			TOTAL
		OBLIGATION	EXPENDITURE	PIPE-LINE	OBLIGATION	EXPENDITURE	PIPE-LINE	
AGRICULTURAL	30,000	27,000	13,000	3/30/78	20,000	23,000	10,000	30,000
Fertilizers	14,000	14,000	-					14,000
Agricultural Chemicals	3,000	3,000	-					3,000
Stockfeed Mixtures	13,000	-	13,000		13,000			13,000
1/Other Eligible Commodities					10,000			10,000

HC AND OTHER DONOR TOTAL-
Salaries of individuals in Gov't and Parastatals responsible for importation and marketing of commodities

FUNDING	PERSONNEL WORKYEARS (XX, X)				PERSONNEL INTENSITY	PARTICIPANTS PROGRAMMED			FOOTNOTES 1/ Commodities to be purchased with CY & BY proceeds not yet determined. No attempt at quantifying HC input has been made
	1978	1979	1980	1981		1982	BEYOND	TYPE A	
PROGRAM ACCOUNT	-	-	-	-					
TDY (ADD)	2	2	2	2					
OPERATING EXPENSES	2	4	4	4					

Decision Package
Current

III. Table IVA & IV B - Activity Data

(B) Development Assistance1. Manpower Development and Training - Project No. 611-0075Purpose

To assist the Government in overcoming the extreme shortage of well-trained manpower in managerial, technical and basic skills areas needs to implement Zambia's development plans.

Background

Although Zambia has made considerable progress in addressing the deficiency of trained manpower inherited with independence, it still remains one of the major constraints to more rapid economic development. At independence, there were less than 100 Zambian university graduates, 1,500 secondary school graduates and 6,000 with Form II education. To address this critical need, the Government has, in the first two development plans, made education a high priority. Although primary school enrollment is now 88 percent of relevant age groups, secondary enrollments quadrupled, the number undergoing technical and vocational education has increased four-fold and the University of Zambia has an enrollment of over 2,500 and has produced some 860 graduates, the educational system is still not capable of producing the quantity and quality of highly trained individuals required to meet current needs and to keep pace with growing demands.

The proposed activity will assist the GRZ in meeting its manpower requirements. This will be particularly important as the country's economic diversification efforts gain momentum and the trained manpower requirements become even more apparent.

Project Description

The project will provide academic and skills training in Zambia, the U.S. and Africa for selected participants. It will also provide in-country training courses, management seminars and the like. Fields of training will be in, but not limited to, the following areas: agriculture, education, health, rural development, public administration, economics and development planning and other development related disciplines.

The training programs themselves will be aimed at meeting critical shortages of trained manpower and will be consistent with the GRZ's manpower training objectives as articulated in the yet-to-be published Third Five-Year Development Plan.

Selection will be closely coordinated with appropriate GRZ entities which include the Ministries of Agriculture, Economic and Technical Cooperation, Health, Power and Transport, the National Commission for Development Planning, the Civil Service Commission, etc.

Beneficiaries

The project beneficiaries will be those participants trained under the program and those individuals who received improved services from those trained. The country as a whole will benefit from improved and efficient management of the various development sectors. In this regard a large percentage of the rural poor are the ultimate beneficiaries.

Current Year Program

It is expected 30-40 students would begin training during the first year of the project. In addition 2-3 experts would conduct training programs in various development related fields.

Budget Year Program

Several participants will have completed short-term training. In-country training programs and seminars will have been conducted.

Major Outputs

It is anticipated that 250 participants will be trained by the end of the project. In addition, the capability for in-country training in some development related disciplines will have been established and strengthened.

TABLE IVB
ACTIVITY BUDGET
DATA

ACTIVITY TITLE	Manpower Development and Training	DECISION UNIT	Zambia	DECISION PACKAGE	Current	BUDGET YEAR	FY 1980
PROJECT NUMBER	611-0075	INITIAL OBLIGATION	FY 1979	FINAL OBLIGATION	FY 1983	TOTAL COST	2,500
APPROPRIATION	DA	DATE PP/REVISION	None	DATE LAST PAR	N/A	DATE NEXT PAR	N/A

ESTIMATED U.S. DOLLAR COST (\$ 000)

ACTIVITY INPUTS	TOTAL-	FY 1979			FY 1980			LIFE OF PROJECT
		OBLIGATION	EXPENDITURE	PIPE-LINE	OBLIGATION	EXPENDITURE	PIPE-LINE	
Personnel (24 pm)		500	95	405	500	405	500	
Participants (444 pm)		120	20	100	120	100	120	
U.S. Training (300 pm)		360	70	290	360	290	360	
Africa Training (144 pm)								
Other Costs		20	5	15	20	15	20	
TOTAL-		1000	200	810	1000	810	1000	

XXXXXXXXXXXXXXXXX 1/ TOTAL-
The GRZ will continue the salaries of job selected candidates and provide the necessary support for in-country training programs.

PERSONNEL WORKYEARS (XX, X)

FISCAL YEAR

1978	1979	1980	1981	1982
-	-	-	-	-
.4	1.1	1.1	1.1	1.1

PERSONNEL INTENSITY

HIGH
 MEDIUM
 LOW

PARTICIPANTS PROGRAMMED

TYPE A	LONG-TERM	19
TYPE B	SHORT-TERM	

FOOTNOTES 1/ No attempt

has been made to quantify H.C. input

III. Table IVA & IVB - Activity Data

(B) Development Assistance2. Agro-Industrial Development - Project No. 611-xxxxPurpose

To assist the Government of Zambia in developing the capability to identify, design and implement small-scale and agro-industrial projects aimed at reducing reliance on imports of certain commodities and diversifying the economy to reduce dependence on copper as the sole foreign exchange earner.

Background

Traditionally Zambia has relied solely upon copper as the major foreign exchange earner; accounting for over 30 percent of Gross Domestic Product and about 90 percent of foreign exchange earnings. As recently as 1956, copper accounted for as much as 64 percent of Government revenue. However, no revenue is expected from copper this year. This decline in copper earnings is attributable to many factors including a decline in world-market copper prices, increased production costs at the mines, and transportation difficulties. Although copper will continue to be the mainstay of the Zambian economy, the GRZ is actively seeking ways of diversifying the economy to ease the reliance on copper and hence reduce the vulnerability of the entire economy to fluctuations in world-market copper prices. The Government of Zambia is treating economic diversification as a matter of high priority and indications are that agro-industrial development will be an area of emphasis in the forthcoming Third Five-Year Plan.

Project Description

This activity is still in the conceptualization stage, hence it is not possible to give an accurate description of what the project as finally designed will look like. However, it is envisaged that technical assistance, training, and short-term advisory services will be provided to the GRZ Ministry responsible for agro-industrial development (presumably the Ministry of Commerce and Industry). These services would be provided through an organization which has expertise in this area.

Beneficiaries

While beneficiaries cannot be quantified at this point, the activity will reach urban as well as rural segments of the population.

Current Year Program

During FY 1979, assistance will be required at the PRP and PP stages of project design.

Budget Year

FY 1980 will be the first year of project implementation.

Major Outputs.

To be determined.

**TABLE IVB
ACTIVITY BUDGET
DATA**

ACTIVITY TITLE	Agro-Industrial Development 1/	DECISION UNIT	Zambia	DECISION PACKAGE	Proposed	BUDGET YEAR	FY 1980
PROJECT NUMBER	XXX-XXXX	INITIAL OBLIGATION DATE	1980	FINAL OBLIGATION DATE	To be Determined	TOTAL COST	To be Determined
APPROPRIATION	DA	DATE PP/REVISION	N/A	DATE LAST PAID	N/A	DATE NEXT PAID	N/A

ESTIMATED U.S. DOLLAR COST (\$ 000) 1/

ACTIVITY INPUTS	TOTAL	FY: 1978			CY: 1979			FY: 1980				
		OBLIGATION	EXPENDITURE	PIPE-LINE	FUNDING PERIOD (FM-TO)	OBLIGATION	EXPENDITURE	PIPE-LINE	FUNDING PERIOD (FM-TO)	OBLIGATION	EXPENDITURE	PIPE-LINE
<u>Personnel</u>												
3 Long-term contract Techns										450	150	300
6 Short-term Consultants										160	54	106
<u>Training</u>										140	80	60
<u>Commodities</u>										200	100	100
<u>Other Costs</u>										50	25	25
TOTAL										1,000	409	591

PERSONNEL WORKYEARS (XX, X)

PERSONNEL SALARIES FOR INDIVIDUALS ASSIGNED AS COUNTERPARTS TO EXPATRIATES, OFFICE SPACE AND EQUIPMENT.

FUNDING	FISCAL YEAR				PERSONNEL INTENSITY	PARTICIPANTS PROGRAMMED				LIFE OF PROJECT
	1978	1979	1980	1981		BEYOND	TYPE A	TYPE B	TYPE C	
PROGRAM ACCOUNT	-	-	-	-	HIGH	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	
OPERATING EXPENSES	.1	.1	.1	.1	LOW	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	

FOOTNOTES 1/All figures are estimates. Specifics regarding proposed activity will be developed during project design phase.

III. Table IVA & IVB Activity Data

(C) PL 480 Title I (Non Add)Purpose

The PL 480 Title I program is designed to assist the Government of Zambia in meeting domestic requirements of certain agricultural food commodities which are currently in short supply due to the serious economic crisis Zambia is now facing.

Background

The U.S. Government first became involved in PL 480 Title I assistance to Zambia during the transitional quarter of 1977 when an agreement was signed for \$1.6 million worth of commodities (wheat and vegetable oil). Since then one other agreement for \$5.4 million has been signed and assistance totalling \$8.5 million is planned for FY 1978.

The PL 480 commodities provided to the Government of Zambia on concessional terms, are critical in assisting the GRZ in financing the importation of key agricultural food commodities at a time when the country is suffering economically and has insufficient foreign exchange to purchase all of its needs commercially. Through the local sale of the commodities local currency is generated which is used to support agricultural development activities.

Project Description

During FY 1978, wheat, vegetable oil and rice will be provided by the PL 480 Title I program. The commodities are imported by parastatal companies that are responsible for the marketing and distribution of the commodities. Although the agreement has not yet been negotiated and signed, an integral part of the program will be self-help measures aimed at immediately relieving and eventually eliminating GRZ reliance, to the maximum extent possible, on the importation of agricultural commodities. These measures will include efforts to increase wheat production, expansion of oil seeds crushing capacity, increased support for the Zambian agricultural training institutions, continued support for the Mt. Makulu research and others.

Progress to Date

To date, commodities provided through US PL 480 Title I assistance have helped fill critical commodity gaps. Local currency generated through the sale of these commodities have expanded government resources allowing for increased GRZ support of agricultural activities.

Beneficiaries

The primary beneficiaries are the consumers of the PL 480 commodities. This target group is primarily urban/rural and consists of about 35-40 percent of the population. The activity will indirectly benefit the more rural population of small-scale and subsistence farmers through the sale of the commodities to support agricultural and rural development activities.

Current Year Program

Commodities will be provided during the budget year to meet what is expected to be reduced import requirements as compared to prior PL 480 Title I Programs.

Major Outputs

Applied agricultural research results.
Increased budgetary support for agricultural activities.
Trained extension personnel.
Strengthened agricultural training institutions.
Increased production of various agricultural commodities.

**TABLE IVB
ACTIVITY BUDGET
DATA**

ACTIVITY TITLE	PL 480 Title I (Non Add)	DECISION UNIT	Zambia	DECISION PACKAGE	Current	BUDGET YEAR	FY 1980
PROJECT NUMBER	N/A	INITIAL OBLIGATION	T.O.	FINAL OBLIGATION	Not yet Determined	TOTAL COST	Not yet Determined
APPROPRIATION	N/A	DATE PP/REVISION	N/A	DATE LAST PAR	N/A	DATE NEXT PAR	N/A

ESTIMATED U.S. DOLLAR COST (\$ 000)

ACTIVITY INPUTS	TOTAL	FY: 1979			FY: 1980			LIFE OF PROJECT
		OBLIGATION	EXPENDITURE	PIPE-LINE	OBLIGATION	EXPENDITURE	PIPE-LINE	
		FUNDING PERIOD (FR-TO)			FUNDING PERIOD (FR-TO)			
AID-FINANCED	8,500	8,500	-	10,000	10,000	-	Oct. 1 '78 Sept. 30 '79	10,000
Wheat	4,100	4,100	-	5,200	5,200	-		5,200
Vegetable Oil	3,300	3,300	-	3,800	3,800	-		3,800
Rice	1,100	1,100	-	1,000	1,000	-		1,000

XXXXXXXXXXXXXXXXXXXX I / TOTAL-
Commodity management,
marketing and distribution

FUNDING	PERSONNEL WORKYEARS (XX, X)					PERSONNEL INTENSITY	PARTICIPANTS PROGRAMMED			FOOTNOTES I / No attempt has been made to quantify H.C. Input
	1978	1979	1980	1981	1982		BEYOND	TYPE A	TYPE B	
PROGRAM ACCOUNT TOY (NON-)	-	-	-	-	-		LONG-TERM	SHORT-TERM	19	
OPERATING EXPENSES	.1	.1	.1	.1	.1		LONG-TERM	SHORT-TERM	19	
	.2	.2	.2	.2	.2		LONG-TERM	SHORT-TERM	19	

IV. Decision Unit Overview

Long-Range Goal

An AID assistance strategy for Zambia has not yet been prepared. A Country Development Strategy should flow from the efforts of the Southern Africa Development Analysis (SADAP). However, in the absence of a strategy as such, the AID assistance program as currently structured is aimed at directly addressing key economic and development problems. Some of these problems have been caused by fluctuation in world copper prices, mining production inefficiencies and questionable national economic policies, while others stem directly from the Rhodesian border closure in 1973, the cutting of the Benguela Railroad in 1975, and the subsequent disruption of traditional trade routes. Zambia must now rely upon Dar es Salaam as its one viable outlet to the world market. Development is impeded by an acute shortage of suitably trained manpower, inadequate and inefficient health and educational systems, a poor rural transport system, inefficient agricultural production, etc., etc.

To address the nation's economic ills, the yet-to-be published Third National Development Plan will call for a rural development strategy that emphasizes increased agricultural production, the establishment of small scale and cottage industries, rural electrification, feeder roads, marketing, water development, and educational and health facilities.

There will undoubtedly be many areas of overlap between the Third National Development Plan and the AID strategy statement. However, until those documents have been published, AID's major assistance goal in Zambia remains providing balance of payments relief through Security Supporting Assistance (SSA) and the concessional sale of agricultural commodities through PL 480 Title I.

Major Objectives

The program proposed for the Budget Year, \$31.5 million, includes a Development Assistance (DA) component in anticipation of a request from the Government of Zambia for assistance in the field of Agro-Industrial Development. AID should be responsive to such a request since this will be a cornerstone of the Third National Development Plan and is consistent with the "New Directions" mandate. The objective of such an activity would be to develop a capability within the GRZ to identify and develop agro-industrial development activities aimed at increased agricultural production, import substitution, production for export, and identifying potential areas for investment.

It is likely that as a result of the SADAP exercise and subsequent development of an AID assistance strategy for Zambia, current goals and objectives will be expanded and re-defined. Until this happens, the AID program should not be expanded beyond the level proposed for FY 1980.

For the planning period (FY 81-84) and in the absence of a guiding strategy, a gradual reduction in the level of SSA and an expansion of DA is reflected. This is based on the assumption that by FY 1981, the current balance of payments crisis will have abated somewhat and the need for program lending at past levels will no longer be required. Under such circumstances, there may be a need for continued AID assistance through development loans and grants to assist in the financing of agricultural and rural development initiatives of the GRZ. Such assistance could range from support of agricultural research activities to the construction of farm-to-market feeder roads. Even after the country recovers from the current economic slump, there will be a need for development assistance. AID's concern should be to assure that assistance levels proposed beyond FY 1980 do not draw heavily on Zambian trained manpower, an already scarce commodity, can be realistically sustained in terms of both personnel and recurrent expenditures once AID's assistance terminates, can be managed by minimal AID personnel, and has full support and commitment from the GRZ to insure success.

Staffing levels over the planning period, consistent with the funding levels do not show an increase, and assumes that activities implemented during the planning period will make limited new personnel demands.

Of course, long-range planning estimates for both funding and personnel should be refined based on the conclusions of the SADAP study and the subsequent Country Assistance Strategy.

Alternatives

The major alternative to the current Security Supporting Assistance program is AID Development Assistance. This alternative is not preferred because (1) it would not be effective in achieving the objective of providing critically needed balance of payments support during the current balance of payments crisis; (2) The GRZ's ability to effectively implement project activities is limited due to the large number of projects currently being implemented by other donors and the shortage of manpower to staff them; (3) there probably would be a need to increase the U.S. AID presence in Zambia in order to properly manage project assistance.

A second alternative is a program which would combine DA and SSA. This is the alternative selected for the budget year program. It is the preferred approach because it has the flexibility to allow the continuance of the balance of payments support if required, it provides training which is needed, and it calls for assistance in meeting a need which is a high priority of the Government. The AID strategy exercise should clarify the exact mix of SSA and DA beyond FY 1980.

Accomplishments

AID SSA to date has provided \$55 million (PY included) in balance of payments support. The loans have financed a wide range of key commodities e.g. equipment, spare parts, agricultural chemicals, fertilizer, stockfeeds, etc.

PL 480 Title I assistance has financed \$14.7 million worth of food commodities including wheat, vegetable oil and rice.

The Southern Africa Academic and Skills Training project (Manpower Development and Training Project FY 1979 and beyond) will directly address the manpower shortage through academic and skills training for several hundred Zambians in agriculture, economics, planning, management, and other development related disciplines.

Commentary on Personnel and Operating Expenses

Personnel requirements for the AID operation in Lusaka are reflected at the same level through FY 1980. This level of two direct hire, one local professional (Program assistant for training) and one driver is the minimum staff required to properly manage a program of the magnitude proposed for the budget year.

The AID staffing level beyond FY 1980 will depend on a number of variables. First the AID level, as well as that of the entire official American community, will depend upon whether or not a favorable settlement is reached in Zimbabwe. If current efforts fail, events could unfold that would argue against an enlarged American presence in Zambia. On the other hand, if the Rhodesian problem is resolved amicably and no immediate relief for the Zambian economy results, then an increased AID assistance level, perhaps suggesting more personnel, could be justified. If however, the Rhodesian question is solved and the Zambian economy recovers through improvement of world copper prices and the easing of the transportation bottleneck, then, Zambia may find herself in a position to finance her own development with little financial support from the donors.

We have chosen not to anticipate an increase in the AID staffing level pending the completion of the SADAP study, the publication of the Zambian Third Five Year Plan scheduled to be released in December 1978, and a clearer reading on how the situation will be resolved in the south.

V. Decision Package

(A) Minimum

FY 1980 ANNUAL BUDGET SUBMISSION
(in \$000)Activity Description

A commodity import loan amounting to \$30 million during FY 1980 should be the minimum level of assistance considered for Zambia during the budget year, assuming that the country has not yet recovered from the current economic crisis and foreign exchange shortage. The loan will assist the GRZ in financing the importation of key commodities.

<u>Resource Requirements</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>		
			<u>This Pkg.</u>	<u>Cum. Total</u>	
<u>Food and Nutrition</u>					
Commodity Import Loan (SSA)	30,000	20,000	30,000	30,000	
Total Program	30,000	20,000	30,000	30,000	
<u>Employment</u>					
Full Time Personnel					
U.S. Direct Hire	.2	.4	.4	.4	
Foreign Nationals	-	-	-	-	
TDY	.2	.2	.2	.2	
Total	.4	.6	.6	.6	
<u>Five Year Projection</u>					
<u>Program</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
	30,000	15,000	10,000	5,000	5,000
Personnel (in workyear)					
Mission - U.S.	1	1	1	1	1
- F.N.	-	-	-	-	-
TDY - USDH	.2	.2	.2	.2	.2

Short Term Objectives

The level reflected herein constitutes what is considered as the minimum level of U.S. assistance, at least until the economy begins to show some signs of recovery. A \$30 million commodity assistance level will have a noticeable impact through making key commodities available. This level will also be consistent with past levels of U.S. balance of payments support assistance to the GRZ and will be indicative of our concern to help the country through a period of economic crisis. At the same time, our efforts to assist the Government in increasing the flow of resources to the agricultural sector will be realized through the local currency generated from the loan.

Impact on Major Objectives

A minimum level of \$30 million will clearly demonstrate our desire to support the GRZ during a time of economic crisis and will support our objective of providing balance of payments support at a time when it is sorely needed. In addition, our objective of assisting the Government in meeting its economic diversification and rural development objective will be enhanced.

Other Information

A decision to approve a program below the minimum level would have serious implications vis a vis how the GRZ might interpret a reduction in the assistance level.

Decision Package
Current

V. Decision Package

(B) CurrentActivity Description

The program at the current level reinforces AID objectives through the provision of PL 480 Title I commodities and an academic and skills training project.

The PL 480 Title I Program will provide \$8.5 million worth of food commodities, wheat, rice and vegetable oil which are constantly in short supply in Zambia. Local currency generated by the sale of these commodities is used for agricultural development purposes.

The training project is aimed at addressing the shortage of trained manpower, one of the major constraints to more rapid development and Zambianization.

<u>Resource Requirements</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 1980</u>	
			<u>This Pkg.</u>	<u>Cum. Total</u>
<u>Education</u>				
Academic & Skills Training (Reg) ^{1/}	(350)	500	500	30,500
Total Program	(350)	500	500	30,500
<u>PL 480 Title I (Non Add)</u>	(8,500)	(10,000)	(10,000)	(10,000)
<u>Employment-Full Time Permanent</u>				
U.S. Direct Hire	.4	.3	.3	.7
Foreign Nationals	.2	1	1	1
TDY	.1	.4	.2	.4
Total	.7	1.7	1.5	2.1

<u>Five Year Projection</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
Program	30,500	16,500	12,500	9,500	7,300
Personnel (in workyear)					
Mission - U.S.	1.5	2	2	2	2
- F.N.	.2	2	2	2	2
TDY USDH	.2	.2	.2	.2	.2

Short-Term Objectives

The program at the current level will ease the balance of payments problem and will train manpower in development related disciplines.

Impact on Major Objectives

Through the provision of PL 480 Title I at the current level, local currency generated by the sale of the commodities are made available to the GRZ to assist its rural development objectives.

Commodities provided through PL 480 Title I assistance to date has had a noticeable impact. Wheat and vegetable oil financed through PL 480 have been vital in helping the GRZ meet domestic shortages of the commodities.

The training program will produce well trained manpower in a number of development related disciplines.

Other Information

1/ Southern Africa Academic and Skills Training is a Regional Activity. As such, the funds are allotted to OSARAC. Hence, it is reflected in this budget as a non-add item. In FY 1979 SAAST will be replaced by a Manpower Development Training Project. An initial obligation of \$500,000 is reflected.

Decision Package
Proposed

V. Decision Package

(C) ProposedActivity Description

The program proposed for the budget year would look to expanding AID assistance in Zambia in direct response to GRZ priorities as articulated in the Third Five-Year Plan, currently planned for publication in December 1978.

Indications are that the development plan will emphasize agro-industrial development for the purpose of improving agricultural production, import substitution and export promotion.

At the request of the Government, during FY 1978, AID financed a preliminary survey of development potential in this area. The Government continues to express keen interest and will undoubtedly seek donor support. Hence, the "proposed" level would add an Agro-Industrial Development activity.

<u>Resource Requirements</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 1980</u>	
			<u>This Package</u>	<u>Cum. Total</u>
<u>Food and Nutrition</u>				
Agro-Industrial Development	-	-	1,000	1,000
Total Program	-	-	1,000	31,500
<u>Employment-Full Time Permanent</u>				
US Direct Hire	-	-	.1	.8
Foreign Nationals	-	-		1
TDY	-	.3	.2	.6
Total	-	.3	.3	2.4

<u>Five Year Projection</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
Program	31,500	16,500	12,500	9,500	7,300
Personnel (in workyear)					
Mission - U.S.	2	2	2	2	2
- F.N.	2	2	2	2	2
TDY - USDH	.2	.2	.2	.2	.2

Short-Term Objectives

The increment added at this level would assist the GRZ in building the capability to design, implement and manage Agro-Industrial development activities.

Impact on Major Objectives

The activity would promote Zambian agricultural development and reduce reliance on imports. This will contribute directly to AID's objective of easing the current balance of payments difficulties.

Other Information

Design assistance will be required in developing the project.

TABLE V - PROPOSED PROGRAM RANKING

TRANSACTION CODE:

BUREAU CODE: AFR

RANK	DECISION PACKAGES/PROGRAM ACTIVITY/SUPPORT ITEM	APPROPRIATE ACCT	PRIORITY	MISSION	TOY	RESOURCE REQUIREMENTS		
						WORKYEARS (XX, X) FUNDED FROM OPERATING EXPENSES	PROGRAM INCREMENTALS PROGRAM ACCOUNT	PROGRAM FUNDING (AMOUNT)
1	611-0070 Commodity Import Loan (LO) <u>Decision Package - Minimum</u>	SA	L	.4	.2		30,000	30,000
2	PL 480 Title I (Non-Add) (LO) <u>Decision Package Current</u>		L	.2	.1		(10,000)	
(3)	690-0083.5 Southern Africa Academic and Skills Training I/ (GO)	SA	H					
3	611-0075 Manpower Development and Training (GO) DA Summary by Personnel Indensity Low (2 projects) High (1 project) Cumulative Total	DA	H	1.1	.1		500	30,000
	<u>Decision Package - Proposed</u>			(.6)	(.3)			
				1.1	(.1)		(500)	
				1.7	(.4)		30,500	
4.	611-XXXX Agro-Industrial Development GN Summary by Personnel Indensity Low (1 project) Cumulative Total	DA	L	.1	.2		1,000	30,500
				(.1)	(.2)			(1,000)
				(1.8)	(.6)		(31,500)	
	1/ To be replaced by Manpower Development and Training Project in FY 1979							

MISSION OPERATING EXPENSE FUNDED PERSONNEL REQUIREMENTS
(In work years xx.x)

STEP 4.

	FY 78		FY 79		FY 80 Mark		FY 80 Minimum		FY 80 Proposed		
	Estimated USDH	Actual FNDH	Estimated USDH	Actual FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	
MISSION SPECIFIC PERSONNEL											
Directly Related to Activities*	.6	.2	.8	1.0							
Policy, Direction & Management	.6	.2	1.2	1.0	2.0	2.0					
Financial Management											
Mission Support											
TDI's											
OTHER (Specify)											
TOTAL	1.2	.4	2.0	2.0	2.0	2.0					
END OF YEAR CEILING	2 +	2 =	4	2 +	2 =	4	2 +	2 =	4		

NON-MISSION SPECIFIC PERSONNEL

Auditor General & IIS

Other (Specify):

	FY 78	FY 79	FY 80 Mark	FY 80 Minimum	FY 80 Proposed
Auditor General & IIS					
Other (Specify)					
TOTAL					

END OF YEAR CEILING

+ = Total
 + = Total
 + = Total
 + = Total
 + = Total

*From Table V.

OPERATING EXPENSE BUDGET
AID/ZAMBIA

EXPENSE CATEGORY	LINE NO.	OBJECT CLASS	EXPENSE RELATED TO	FY 1978		FY 1979		FY 1980		PROPOSED
				UNITS	\$	UNITS	\$	UNITS	\$	
OFFICE OPERATIONS Continued										
Other Equipment	63	319								
Transportation (Freight)	64	22		0.3						
Communications	65	230								
Security (Guard Services)	66	259		2.4		5.0		5.6		
Printing and Reproduction	67	24		0.1		0.2		0.2		
Operational Travel	68									
International	69	210		1.5		5.0		6.5		
Domestic	70	210		1.0		1.0		1.0		
Charter/Contract Transportation	71	259								
Vehicles	72									
Addition	73	312	No. of Vehicles	1	8.0					
Replacement	74	312	No. of Vehicles							
Maintenance	75	259	No. of Vehicles	1	0.3	1.0		1.0		
Automotive Supplies and Materials	76	26	No. of Vehicles	1	1.0	1		3.0		
Other Supplies and Materials	77	26			1.0	1.0		1.5		
FMS	78	257				1.0		1.2		
Other U.S. Government Reimbursements	79	258								
Other	80	259			1.0			2.0		
Portion of Lines 55-80 for Program Funded People	81									

NOTE: Cost shown against budget Line 80 represents miscellaneous contractual services including medical expenses.

OPERATING EXPENSE BUDGET

ADD/ZAMBIA

EXPENSE CATEGORY	LINE NO.	FY 1978	FY 1979	MARK	F Y 1 9 8 0	
					MINIMUM	PROPOSED
TOTAL OPERATING EXPENSE BUDGET	82	141.1	112.8	140.4		
Reconciliation						
Deduct from Item 82 Items not funded from Mission's allotment:						
Object Class 11	83	26.9	45.1	45.9		
Object Class 12	84					
Object Class 13	85	2.5	4.4	4.5		
Net FMS (from line 78)	86		1.0	1.2		
Other - Explain on Attachment	87			0.6		
Storage Charges						
Net Allotment Requirements	88	111.7	61.3	88.2		
Operational Year Allotment Requirement by Quarter						
First Quarter	89		11.4			
Second Quarter	90		14.4			
Third Quarter	91		21.9			
Fourth Quarter	92		13.6			

ADDITIONAL SCHEDULES AND ANALYSES

	Attached	
	Yes	No
Use of Trust Funds		X
ADP Equipment		X
Budget Line 31 Detail		X
Budget Line 55 Detail		X
Budget Line 80 Detail	See pages 3	X

TABLE VI - Funding for Special Concerns

N/A

EVALUATION ACTIVITIES

Currently, the only activity in the Zambia AID program requiring evaluation is the Southern Africa Academic and Skills Training Project, 690-0083.5. Implementation of this project has just begun although the Project Agreement was signed in September 1977. A Project Appraisal Report (PAR) will be prepared in June 1979.

PL 480 TITLE II

N/A

PL 480 TITLE I PROPOSAL

Please see Lusaka 1287 and 1065 for relevant analysis.

POPULATION PLANNING - COMMODITIES

N/A

RESEARCH AND DEVELOPMENT