

UNCLASSIFIED

# Annual Budget Submission

FY 1988

## MOZAMBIQUE

BEST AVAILABLE



June 1986

Agency for international Development  
Washington, D.C.

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## **ACTION PLAN**

### **I. Strategy Recap and Policy Agenda.**

Prior to 1984, AID concerns in Mozambique were primarily humanitarian in nature: supplying food aid and relief supplies to victims of drought and other natural disasters.

In recognition of Mozambique's role in promoting regional stability, its progressively more non-aligned foreign policy, and pragmatic economic initiatives supportive of the private sector, the United States initiated a development-related program in late 1984. This program targeted commodity imports to family, private (commercial), or cooperative farmers and technical assistance and training to support that sector.

In the absence of a CDSS, an interim short- and medium-term strategy has evolved. It seeks to assist the victims of the critical food deficit, to support the GPRM's pragmatic policy changes to promote the private sector, and to provide the necessary means to accelerate and sustain increased productivity.

The complexity and magnitude of the economic problems confronting Mozambique and the uncertainty of proposed solutions have led us to adopt a modest policy agenda. Although we have not conditioned our assistance on macro-economic reforms, we have encouraged the GPRM to continue agricultural pricing liberalization and have made some progress in rationalizing the prices of AID-financed imports to more adequately reflect true economic cost.

We have supported the GPRM's efforts to collaborate with the IMF and IBRD in crafting a comprehensive, integrated economic reform program, which would serve as a framework for donor participation in Mozambican development. We are urging the GPRM to continue the momentum of its pragmatic approach toward a mixed economy and an open market orientation.

### **II. Overall Progress and Implications.**

#### **A. Policy/Program Evolution.**

Support of the indigenous private sector results the keystone of our EEP program. AID inputs have helped the private farmer demonstrate his productive capacities, reinforcing the GPRM's resolve to integrate the private farmer more fully into the economy. The next step is to support related facets of the private sector: in importing, distributing, retailing, and transporting commodities.

Early efforts to enhance productivity were directed to agricultural production in two target areas. Experiences gained in implementing two CIPs and designing a third justify considering an expansion of the scope of the program to encompass another geographic region and to modify the commodity mix. In addition to agricultural inputs, we are now financing raw materials for under-utilized private manufacturers of agricultural inputs and trucks for

farm-to-market transporters. Our aim is to ensure that increased productivity is translated into surplus production availability in urban centers.

In our food assistance program, our perceptions have changed in the past year. In response to a critical grain deficit, the United States was Mozambique's largest food donor. In FY 1986, it became apparent that the short-term drought emergency had given way to a longer-term, structural deficit created by civil disruption and poor economic performance. We plan to evaluate the level and modalities of our food assistance and will develop a strategic plan which may call for a multi-year commitment of food resources to allow the GPRM time to restructure an unbalanced economy, distorted by insurgency.

### B. Assessment of Major Successes, Shortcomings, and Delays.

The humanitarian assistance program has been successful in preventing famine and severe malnutrition. In FY 1985 and 1986, the U.S. filled one-third of the food gap (equivalent to about one-half of all donor aid). To meet emergency food requirements, tripartite agreements with Malawi and Zimbabwe resulted in 10,000 MT of white maize for isolated, border areas of Mozambique.

Through OFDA and African Supplemental grants to CARE for technical assistance and heavy vehicles, we have increased the logistical effectiveness and planning/monitoring capability of the Mozambican disaster coordination agency. Donor coordination still requires improvement, especially in scheduling of food arrivals. Also, donors tend to respond to the symptoms of a food deficit, rather than address its underlying causes.

An evaluation of the CIP showed that inputs were provided in a timely fashion, reached targeted farmers, and were used effectively. Recognizing their productivity, the GPRM has made more land available to private farmers and has allowed state farms to sell tractors and other capital equipment to them.

Technical assistance funding promoted foreign investment for the Pande Ammonia Plant and assisted the Bank of Mozambique in re-scheduling external debt, managing external operations, and maintaining a dialogue with the IMF and IBRD. A business climate assessment, a construction industry restructuring study, and an agricultural machinery repair training program benefitting private farmers will get underway by August. The slow start-up of the technical assistance activities was the major disappointment in the program.

While agricultural inputs resulted in greater production, the lack of transport (and the fear of insurgency in some areas) constrained increased supply to urban markets. Delays in the authorization and apportionment processes reduced the likelihood of imports financed by PSR III arriving in time to meet the principal growing season in 1986/87.

### C. Major Issues and Implications for Next Two Years.

In April 1986, a FFP/OMB team concluded that the causes of the Mozambique food deficit were rural insecurity, misguided economic policies, inadequate transport and marketing structures, and lack of agricultural support services. The long-term, structural causes of the deficit led the team to foresee continuing

high levels (150,000 MT) of food aid to FY 1987, and possibly beyond. The major issues to U.S. food aid include linkage of food aid to economic policy change, the appropriate mix of aid modalities, and the relative level of U.S. assistance (vis-a-vis the gap).

Two issues affect program goals. The first is the need for program consolidation, to enable effective management by a small AAO staff. The second is the renewal of our technical assistance program which was eliminated in FY 1980.

We do not recommend that continuing U.S. assistance be directly conditioned on macro-economic reforms. However, to what extent should the \$15 million in ESF and \$30-40 million in food aid be used to induce reforms and encourage GPRM movement on macro-economic initiatives? For example, in one of the self-help measures included under PL 480 Title I, the GPRM pledged to formulate a comprehensive and integrated financial and economic reform package by July 1, 1986, in the context of an agreement with the IMF and IBRD.

### III. Key Program Targets.

#### A. Increasing Productivity.

##### **Progress/Implications for Future, Benchmarks, and Achievement.**

Providing productive inputs through the CIP and supplying food aid to alleviate a food gap are interrelated and address our target of increasing productivity.

The food gap, which existed prior to independence, results from a lack of productivity. While humanitarian concern dictates food assistance, development interests require us to focus on the root causes of the deficit. While increased surplus production is constrained by the intensity of insurgency, the GPRM cannot postpone essential economic reforms. U.S. food aid, as an interim measure, allows the GPRM time and latitude to increase internal marketed production. By FY 1989, Mozambique could, with appropriate steps taken, increase its marketed food production by 100 percent, depending on the security situation.

The CIP provides critical imported agricultural inputs for private farmers to stimulate surplus production and imported tractors needed for farm-to-market commerce. Local currency generations will be targeted to the private sector, PVOs, and agricultural and marketing infrastructure. We wish to see the current CARE and World Vision programs continued, urging that they become progressively more developmental in their program orientation. Continuation of such programs will require central funding resources.

##### **Policy Agenda, Management Steps, and Benchmarks.**

The existence of a rural insurgency requires an extremely flexible agenda, which recognizes that the GPRM's real current political and military risks may overshadow potential long-term economic benefits. Nevertheless, it is critical that the GPRM reach agreement with the IMF and IBRD in order to make

significant progress in resolving the basic structural imbalances within the economy. Specific performance benchmarks are difficult to identify. The IMF and IBRD have indicated general areas meriting attention, leaving the pace, tone, and substance of change to the GPRM. During the next two years, the GPRM should gradually implement a phased program of devaluations, further price liberalization, credit and monetary controls, and budget deficit reductions, complemented by a sectoral initiative to increase productivity in agriculture and food/light industry.

Leveraging macro-economic reforms is inappropriate given the size and nature of U.S. assistance, but we should insist that our funds be expended to continue the momentum toward a more efficient allocation of resources. We will stress the need for a more market-oriented price for AID-financed inputs, to ensure maximum productivity. By March, 1987, the GPRM and AID will have completed a collaborative study delving into the current allocative process and ways and means to improve it. While the FY 1987 CIP will probably have a higher surcharge and will expand the items to which the surcharge is applied, we anticipate that the FY 1988 program will benefit from the recommendations of the joint study.

#### **Program Agenda, Management Steps, and Benchmarks.**

Food aid could be used to meet immediate requirements and as a tool to enhance future production. A food aid evaluation in late FY 1986 and strategic plan will assess the operational effectiveness of the current program, analyze future food requirements, project an adequate U.S. response, propose measures by the GPRM and donors to address the underlying causes of the deficit, and suggest means to improve donor communications. Based on that strategic plan, a more detailed work plan will be developed.

We foresee that a food assistance strategy will be in place by September, 1986, allowing some Title II shipments by the end of FY 1986. During the second quarter of FY 1987, we will complete work with the GPRM on the framework for multi-year food assistance, on a government-to-government basis. While the first shipments of grain should arrive no later than January, 1987, the bulk of our commitment will arrive after agreement on such a framework. In September 1987, we will review GPRM efforts to reduce the food gap (including investments in agriculture and policy reforms) and the continuing need for high levels of food assistance.

Throughout FY 1987, CARE will provide technical services to the Logistics Support Unit (LSU) of the GPRM disaster coordination agency. World Vision will also be maintaining its emergency food program in the border areas of Tete and Manica provinces. These PVO activities will require additional funding resources to be continued. World Vision requires an additional \$300,000 to help defray operational expenses, while CARE is expected to submit a proposal in mid-1987 for continued assistance to the LSU. With the limited Mozambique budget levels, if such PVO activities are to be continued and encouraged, there will have to be central or other non-bilateral funding made available.

The success of the first two CIPs argues for a continuation of the Private Sector Rehabilitation Program through its planned four years. Generally, the

same categories of agricultural inputs and raw materials will be imported, with possible extension of the target areas, expansion of the eligible items (to include those essential to address transport and marketing constraints), and addition of other raw materials related to increased marketed supply of food grains and produce.

The fourth phase of the PSRP (FY 1987) will continue to be concentrated on agricultural production in limited geographic areas, ensuring that the commodities imported have a beneficial impact on the private sector and on the increased availability of food in Maputo.

In October, 1987, we will commence the design of the follow-on Private Sector Support Program, which will only finance commodity imports. While we anticipate that it will be essentially agricultural in focus, the final orientation will be determined by the priority needs of the Mozambican private sector, the identification of high impact and high domestic value-added projects, the evaluations of earlier CIPs, and the possible co-financing of parallel financing opportunities suggested by the IBRD.

### 3. Private Sector Support.

#### **Progress/Implications for Future, Benchmarks, and Achievement.**

Less than two years ago, the GPRM requested U.S. economic and technical assistance to support GPRM initiatives to encourage private sector activity, especially in the agricultural sector. Since then, more than \$11.4 million in agricultural inputs have arrived, with another \$3.6 million due to arrive by the end of FY 1986 and a further \$3.0 million is in various stages of procurement. A \$9.57 million Phase III CIP will be authorized by June 1986, with substantial pre-implementation work already undertaken.

Continuing field inspections by two monitors have confirmed the positive findings of a January 1986 evaluation. Due, in part, to our policy dialogue, the GPRM decontrolled the prices of fruits and vegetables and increased substantially the prices of staple grains. These reforms and AID-financed inputs encouraged private farmers to increase their production, resulting in increased food availability in Maputo.

Regarding technical assistance, after a slow start, \$2,400,000 is now under contract, in contract negotiation or in competitive processes. The remaining \$500,000 has been re-programmed and earmarked. The reduction of the OYB precluded FY 1986 funding for the technical assistance program. However, we hope to reinstitute technical consultancies and training to our portfolio in FY 1987, in addition to using more intensively the AFGRAD and AMDP programs. The central focus of technical assistance will be the private sector. To get the greatest impact from this TA, support will be given not only directly to the private sector, but also to those public sector activities directly in support of the private sector and private sector objectives (e.g., divestiture).

### Policy Agenda, Management Steps, and Benchmarks.

The GPRM now recognizes the private sector as a key element in its economic recovery plans. It has provided means of production to private farmers, encouraged the establishment of private rural retailers, returned intervened factories and firms to former owners, and sold companies to potential investors.

Our dialogue will urge continuation of this acceptance and encouragement of the private sector, within a mixed economy model. Our central theme will be that gradual liberalization of the economy and allowing market forces to play an increasingly significant role in resource allocation are logical extensions of current GPRM policy.

During FY 1987, our policy stance will be reinforced by supportive economic analysis by acknowledged expertise on issues of mutual economic concern (e.g., allocation and pricing mechanisms, production-enhancing role of market forces, and high impact, high-return private investments).

The efforts of the IMF and IBRD to reach agreement with the GPRM on the elements of an adjustment program, the preoccupation of the GPRM with the war effort, and Mozambique's deliberate, consensus-based approach to reform dictate that any dialogue be gradual, incremental, and supportive in tone.

### IV. Work Plan.

#### A. New Starts Proposed or Anticipated in the Next Two Years and Delegations Requested.

During the next two years, AAO/Maputo will propose two new starts which draw on experiences under the Private Sector Rehabilitation Program.

For FY 1987, a Technical Consultancies and Training Project will be designed and authorized for \$6 million over six years, incrementally financed at \$2 million in each of FY 1987, 1988, and 1989. It will complement the on-going CIP (e.g., technical support of private firms utilizing raw materials, private distributors servicing equipment, or private importers, transporters, and retailers) and also contain elements not directly associated with the CIP (e.g., services to enhance privatization prospects in the construction industry, academic training for future Mozambican leaders, and consultancies and training to public entities providing vital support services to the private sector).

During FY 1987, we will also finance the final year of the Private Sector Rehabilitation CIP; the \$13 million to be obligated will increase the LOP amount from \$38 million to \$43.57 million, requiring a Congressional Notification.

The one new start for FY 1988, the Private Sector Support Program, will be a CIP targeted to the needs of private agriculture and other high-return sectors. Designed as a three-year, \$39 million program, it will be authorized

incrementally at \$13 million in each of FY 1988, 1989, and 1990. Depending on policy reforms undertaken by the GPRM and parallel financing opportunities under an umbrella IMF/IBRD program, larger increments may be sought in the earlier fiscal years.

The program will continue enhancing the productivity of the private agricultural sector and increase the availability of food to urban markets. The CIP will also supply raw materials, essential spares, or equipment to private firms in need of rehabilitation. These manufacturers would either produce agricultural inputs or goods with a high local value content and high exports earnings potential.

AAO/Maputo does not believe that delegation of authority to the field for PID or PAIP review is appropriate at the present time. However, under DSA 1-0, as amended, the Director, USAID/Swaziland will authorize both activities, after field review of the respective PP or PAAD.

### 3. Major Design Issues and Tentative Design Schedule.

For the FY 1987 Technical Consultancies and Training Project (ICTP), three issues can be identified:

1. Are the proposed elements of the project consonant with legislative mandates? Can the project expose future Mozambican decision-makers to Western thought and assist public entities supporting the indigenous private sector in a manner consistent with Congressional intent?
2. Can the project focus on a limited number of sectors, yet maintain flexibility to finance unforeseeable GPRM requests for critical TA related to economic policy reform analysis and implementation?
3. In light of the widespread insufficiency of skilled technical and managerial manpower and the relatively few candidates which can be spared for training, should the training component expand its target beneficiaries to encompass all development-related sectors?

The PID for the proposed project will be drafted in February, 1987, following an evaluation of the technical assistance component of the Private Sector Rehabilitation Program and a human resources development study. The PID will be submitted for review in AID/W by March 1, 1987. A PP will be drafted during June 1987, with authorization by August 15, 1987.

The FY 1988 new start, the Private Sector Support Program, will continue to engage pricing and allocation questions, building on the progress achieved by the four earlier CIPs. We foresee three questions to be resolved:

1. How does the program ensure maximum participation by the private sector in all facets of production and distribution?
2. How are the PSSP and the ICTP mutually supportive? Have technical and managerial restraints in private firms benefitting under the PSSP been alleviated by the technical assistance project?

3. Is rehabilitation of private physical plant and equipment appropriate in the CIP, or is this narrowly structured program too much of a management burden on a small AAO staff?

Our schedule calls for PAIP design in October, 1987, with transmittal to AID/W by November 15, preparation of the PAAD by March 1, 1988, and authorization by April 1, 1988.

C. Evaluation Schedule for the Next Year.

During the remainder of FY 1986, we have planned two evaluations. The first will assess the operations of our current food aid portfolio and will be combined with the development of a strategic plan. The result will enable AID to formulate an adequate response to a long-term, critical food deficit, utilizing new modalities of assistance authorized in late 1985 by Congress.

The second evaluation will assess the progress to date under the technical assistance component of the Private Sector Rehabilitation Program. It will explore the degree of achievement in providing managerial and technical skills needed to support private sector growth. Its review of obligation and expenditure performance, adherence to eligibility criteria, and major and problems encountered, in addition to suggestions for new areas of opportunity, will be an essential input for design of the FY 1987 Technical Consultancies and Training Project.

Another evaluation to review the performance of the first and second CIPs will be scheduled for early FY 1987. Drawing on the data bank of information related to program beneficiaries, pricing, and allocation mechanisms which has been assembled by the CIP monitors, the evaluation will verify utilization of imports by private end-user, reviewing questions of efficient use and allocation of resources, effective and timely distribution, and production response. Members of the evaluation group will then join the PAIP team for design of the fourth and final CIP under the Private Sector Rehabilitation Program, thereby improving program design by sharing fresh insights and lessons learned.

AAO/Maputo suggests that the CARE project with the Logistics Support Unit and World Vision activities be evaluated before central funding is committed as a follow-on to grants provided by the African Supplemental. The evaluation should assess performance against targets and suggest management or programmatic improvements to be included in any follow-on grant design.

D. Program Analysis Schedule for the Next Two Years.

The program analysis work that AAO/Maputo intends to undertake over the next two years is required to optimize CIP and TA program designs and enhance the prospects for progress in policy reform.

We intend to identify domestic productive entities which require only minimal infusions of foreign exchange to yield significant export earnings or import reductions. This would provide AID, the GPRM, and other donors with opportunities for maximizing the impact of external resource flows.

As a result to the design of the FF 1987 JIP, we will undertake analysis to determine the marginal utility and impact of expanding the JIP into new geographic areas, new agriculture-related sectors (e.g., transport, marketing, food processing, and agro-industries), new raw materials, or new commodities (space parts and more efficient machinery for private firms whose output contributes agricultural production). The results of the study will determine the compatibility of the last year of the Private Sector Rehabilitation Program.

Given the allocative efficiency issue which arises periodically in reviews of the JIP, another analysis will examine the allocation and pricing mechanism. It will assess the current systems used to allocate resources, explore the appropriateness of market-based pricing in the face of extreme scarcities and insecurity, and suggest improved, realistic allocation systems.

By March, 1987 (prior to the programming of local currency generated by the JIP and P.L. 480), a study on the potential uses of local currency in the Mozambique context will be completed. Rural insurgency, the relative lack of control of the local currency, and the inability to undertake development projects (due to the lack of foreign exchange) have frustrated our efforts to expend the neticals rapidly accumulating in various special accounts. The study should identify alternate uses of the generations (especially as they encourage private sector growth) and any cross-purposes or cross-conditionality associated with such expenditures. The resultant recommendations will shape our programming strategy.

#### E. Management Improvements.

Program Rationalization. The division of our ESF portfolio into two separate activities (an import program and a TA project) will improve portfolio performance. In the design process, TA will no longer be an appendage or afterthought to a JIP. The focussing of the TA effort and the use of a training contractor will enhance manageability. In food assistance, the definition of a long-term strategic plan and a multi-year framework of interrelated modalities of assistance should reduce and simplify the JIP workload in both AID/W and Maputo, allowing us more time for planning, reporting, and liaison with PVOs.

Staff Alignment. By July 1986, for the first time since its establishment 20 months earlier, AAO/Maputo will be at its assigned ceiling level (5 FSNs). This will result in a realignment of responsibilities, with a concentration of junior members of the staff (including two FSNs) and a better distribution of management/executive office tasks. The arrival of a Program Officer will mean more effective management of technical assistance activities, greater attention to local currency programming, and improved planning to optimize the portfolio's private sector impact.

Improved Utilization of FSNs. All full-time non-USDH employees have been locally hired (as FSN PSCs) and are either Mozambican nationals or long-term residents of Mozambique; AAO/Maputo has no FSNs or US PSCs. The intense activity to establish an AID presence in Maputo and the minimum number of FSN personnel have resulted in progressively higher levels of responsibility accorded to a motivated, effective FSN staff.

All FSNs have been or are being trained on the ADP system (first in word processing, then Lotus). The FSN CIP monitors, management/program assistants, accountant, and computer systems supervisor have designed and implemented integrated data bases, tracking systems, and administrative procedures, in collaboration with USDAs and experienced FSN and TCN personnel from USAID/Swaziland.

Use of PVOs. Currently, CARE and World Vision are cooperating with the GPRM in the relief effort. Due to intense rural insurgency, neither has expanded their program into rehabilitation or development projects, nor proposed regular Title II programs. Africare and Save The Children have expressed an interest in Mozambique; we have encouraged them and other PVOs to undertake operations in Mozambique, if permitted by the security situation.

During FY 1985 and 1986, we appealed to AID/W to finance, from the African Supplemental, CARE's program with the Mozambican disaster relief agency and World Vision's operating expenses related to its emergency Title II program. This resulted in more than \$3 million in AID support and \$100,000 equivalent in Zimbabwe dollars from the local currency generations of the Zimbabwe CIP. Given the reduced level of the OYB, the continuation of PVO activities will require central funding.

Operating Expenses Savings. Initially, AAO/Maputo (as a foreign entity) had to pay all local costs in foreign currency. After protracted negotiations on uses of the Trust Fund, the GPRM finally granted us an exception to this regulation, allowing us to pay meticals to Government agencies (telephone, electricity, water, and some residence rental). As regards personnel, our ability to contract qualified professional personnel locally has substantially lowered our expected outlays for US PSC or TCN salaries and related support costs.

Local Currency Management. Our major disappointment has been in the programming of local currency generations and in the uses of our Trust Fund. The essential problem is that the metical, in a real sense, is valueless; it does not serve effectively as a means of exchange. Almost every item needed by AAO/Maputo is imported; payment is invariably demanded in dollars. Our successful bargaining on Trust Fund uses allows us to pay meticals to public agencies, but does not require them to make services or housing available to us. Consequently, since we started paying meticals to the GPRM's rental agency, we have received no further residence leases.

Pipeline/Mortgage Issues. In light of the favorable disbursement performance of the CIP and the annual, incremental authorization and financing of each of its phases, neither pipeline nor mortgage issues arise for the bulk of our ESF program. The slow start-up of the technical assistance program has resulted in a significant pipeline, which will require the extension of the PACD of the FY 1984 TA component of the Private Sector Rehabilitation Program.

F. Comments on Achievements and Prospects for Gray Amendment Organization Contracting.

AAO/Maputo thus far has had one opportunity to use a Grey Amendment firm, ISFI, under the buy-in provisions of its contract with AFR/PRE. The SIF nature of most of the Mozambique program, the sole source procurement of large segments of the FY 1984 TA program, the requirement for Portuguese-speaking consultants, and the elimination of TA for FY 1986 have reduced prospects for Grey Amendment participation.

While legislated achievement levels do not apply to ESF programs, we are making every effort to provide priority consideration to such organizations. The best prospects for contracting lie in the areas of evaluations, PWR-funded studies, and specific technical expertise required in project/program design.

V. Issues Requiring Bureau Action.

A. Clarification of Congressional Intent.

The preeminent issue which has an impact on the Mozambique ESF-funded program involves the Congressional mandate to target assistance to the private sector. According to the FY 1986 and 1987 Authorization Act, bilateral funds

shall be used solely for assistance to the private sector...to the maximum extent practicable. To the maximum extent practicable, such funds shall be channeled to non-governmental entities...

The FY 1986 Appropriations Act stipulates that funds "may be made available only for activities in support of the private sector."

Before proceeding with a technical assistance activity, we need a clarification of the legislative intent of these two sections. Do they preclude assistance to public entities which are essential to private sector development? Would the language permit assistance to the GPRM to help it create a climate conducive to private sector growth, e.g. development of macro-economic policies supportive of the private sector, training of future decision-makers in the U.S., or development of a GPRM relationship with the IMF or IBRD. Does the mandate allow our support for the GPRM's private sector initiatives (e.g., divestiture and preparations for divestiture)?

B. Further Deferment of the CDSS.

In the face of a security situation which precludes more traditional project activities and clear indications of Congressional intent in the focus of the Mozambique program, should a long-range strategy be developed during FY 1987? Is the strategy orientation presented in this ABS an appropriate interim substitute for a CDSS?

	FY 1985	FY 1986	FY 1987		FY 1988	PLANNING PERIOD				
	ACTUAL	ESTIMATE	CP	ESTIMATE	AAPL	1989	1990	1991	1992	
<b>AGRICULTURE, RURAL DEV. &amp; NUTRITION</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>POPULATION</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>(CENT PROC COMMOD)</b>										
<b>HEALTH</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>EDUCATION &amp; HUMAN RESOURCES</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>SELECTED DEVELOPMENT ACTIVITIES</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>SUBTOTAL FUNCTIONAL ACCOUNTS</b>										
TOTAL	--	--	--	--	--	--	--	--	--	--
GRANTS	--	--	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>INTERNATIONAL DISASTER ASSISTANCE</b>										
TOTAL	3525	3936	--	--	--	--	--	--	--	--
GRANTS	3525	3936	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>TOTAL DA ACCOUNTS</b>										
TOTAL	3525	3936	--	--	--	--	--	--	--	--
GRANTS	3525	3936	--	--	--	--	--	--	--	--
LOANS	--	--	--	--	--	--	--	--	--	--
<b>ECONOMIC SUPPORT FUND</b>										
TOTAL	13000	9570	15000	15000	15000	15000	15000	15000	15000	15000
GRANTS	13000	9570	15000	15000	15000	15000	15000	15000	15000	15000
LOANS	--	--	--	--	--	--	--	--	--	--
<b>DA AND ESF TOTAL</b>										
TOTAL	16525	13506	15000	15000	15000	15000	15000	15000	15000	15000
GRANTS	16525	13506	15000	15000	15000	15000	15000	15000	15000	15000
LOANS	--	--	--	--	--	--	--	--	--	--
<b>PL 480 (non-add)</b>										
TITLE I	(17000)	(16400)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)
TITLE III	--	--	--	--	--	--	--	--	--	--
TITLE II	(9124)	(16820)	--	--	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)
<b>HOUSING GUARANTIES</b>										

FY 1988 ANNUAL BUDGET SUBMISSION  
 TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION  
 (\$000)

656 MOZAMBIQUE

APPROPRIATION ACCOUNT PROJECT NO.	TITLE	L/G	FY 86 ESTIMATE	FY 87 ESTIMATE	FY 88 AAPL
ECONOMIC SUPPORT FUND					
6560201	PRIVATE SECTOR REHABILITATION	G	9570	13000	- -
6560205	TECHNICAL CONSULTANCIES AND TRAINING	G	- -	2000	2000
6560206	PRIVATE SECTOR SUPPORT CIP	G	- -	- -	15000
APPROPRIATION TOTALS			9570	15000	15000
GRANTS			9570	15000	15000
LOANS			- -	- -	- -
DA AND ESF ACCOUNT TOTALS			9570	15000	15000
GRANTS			9570	15000	15000
LOANS			- -	- -	- -

PROJECT NUMBER AND TITLE	OBLIG DATE	-TOTAL COST- AUTH PLAN	OBLIG THRU FY 85	ESTIMATED U.S. DOLLAR COST (\$000)	OBLIG- FY 86	EXPEND- FY 86	OBLIG- FY 87	EXPEND- FY 87	OBLIG- FY 88	EXPEND- FY 88	SPECIAL CODES
AGRICULTURE, RURAL DEV. AND NUTRITION											
6560201	84	1000	1000	1000	998	275	02PVO	448			PRZ
PRIVATE SECTOR REHABILITATION											
APPROPRIATION											
TOTAL		1000	1000	1000	998	275		448			
GRANT		1000	1000	1000	998	275		448			
LOAN											
ECONOMIC SUPPORT FUND											
6560201	84	20000	42570	20000	15098	13450	02PVO	13000	11830		PRZ
PRIVATE SECTOR REHABILITATION											
APPROPRIATION											
TOTAL		20000	42570	20000	15098	13450		13000	11830		
GRANT		20000	42570	20000	15098	13450		13000	11830		
LOAN											
6560205	87		6000				02PVO	2000	65	2000	PRZ
TECHNICAL CONSULTANCIES AND TRAINING											
APPROPRIATION											
TOTAL			6000					2000	65	2000	
GRANT			6000					2000	65	2000	
LOAN											
6560206	88		39000				02PVO			13000	PRZ
PRIVATE SECTOR SUPPORT CIP											
APPROPRIATION											
TOTAL		20000	37570	20000	15098	13450		15000	11895	15000	
GRANT		20000	37570	20000	15098	13450		15000	11895	15000	
LOAN											
INTERNATIONAL DISASTER ASSISTANCE											
6560005	86	800	800			800	02PVO				
INTL DISASTER ASSIST. - SEED PROG.											
APPROPRIATION											
TOTAL		800	800			800					
GRANT		800	800			800					
LOAN											
COUNTRY TOTAL											
TOTAL		21800	89370	21000	16096	14525		15000	12343	15000	
GRANT		21800	89370	21000	16096	14525		15000	12343	15000	
LOAN											

AFRICA BUREAU TABLE I

ACTUAL MANAGEMENT UNITS REQUIRED FOR MISSION AND PROJECT ADMINISTRATION - FY 65  
(In person months per year)

	U.S. PERSONNEL		FOREIGN SERVICE NATIONALS		THIRD COUNTRY NATIONALS		REDSO	AD/ACTIVITY	TOTALS
	USDH	OE Funded	PSNDII	OE Funded	TCNDM	OE Funded			
<u>ADMINISTRATIVE FUNCTIONS</u>									
Program Management	4.0			12.0				2.5	18.5
Financial Management	2.0			6.0				.5	8.5
Administrative Management	7.0			114.0					121.0
<u>PORTFOLIO FUNCTIONS</u>									
<u>LATERAL PROJECTS</u>									
656-K-601A, PSR I	4.0			4.0	12.0		.5	2.0	22.5
656-K-601B, PSR II	6.0			4.0	12.0		1.0	2.0	25.0
656-K-601C, PSR III	2.0			3.0			1.0		6.0
<u>REGIONAL PROJECTS</u>									
690-0231, Regional Transport	.5			.5			.5		1.5
<u>UNOFFICIALLY FUNDED</u>									
AFGRAD	.5			3.0					3.5
MASTER	2.0			3.0				.5	5.5
LOGGERS	1.0			3.0					4.0
AD FOR PEACE	12.0			12.0				.5	24.5
LOCAL CURRENCY	1.0			6.0					7.0
<u>TOTALS</u>									
	42.0			170.5			3.0	6.0	247.5

PER

AFRICA BUREAU TABLE II  
 FY 1988 ANNUAL BUDGET SUBMISSION  
 MODIFICATIONS TO AUTHORIZED AND PLANNED  
 USE OF PROJECT COST AND PROJECT COMPLETION DATE

Subject Number	Project Name	Date of Initial Commitment	Authorized		Proposed Amendment to LOP (\$)	Original		Proposed PACD
			LOP (\$)	Project Agreement		PACD in Project Agreement	Current PACD	
0201	Private Sector Rehabilitation:							
	656-K-601, FY84 CIP	9/84	\$6,000,000	\$6,000,000	NONE	TDD: 3/86	TDD: 5/86	TDD: 5/86
	656-K-602 & 656-T-603, FY84 TA	9/84	\$2,000,000	\$2,000,000	NONE	9/30/87	9/30/87	9/30/88
	656-K-601A, FY85 CIP	8/85	\$12,000,000	\$12,000,000	NONE	TDD: 2/87	TDD: 2/87	TDD: 2/87
	656-K-602A, FY85 TA	9/85	\$1,000,000	\$1,000,000	NONE	9/30/88	9/30/88	9/30/88
0005	Intl. Disaster Assist. Seed Proc.	3/86	\$800,000	\$800,000	NONE	12/31/86	12/31/86	12/31/86

**AFRICA BUREAU TABLE IV  
FY 1988 ANNUAL BUDGET SUBMISSION**

PVO ACTIVITY

Object number	Project Name*	PVO Name (U.S./Non-U.S.)	Functional Account	Span of PVO LOP	PVO LOP for Total Project and % of Total	FY 86 Obligations	FY 87 Obligations	FY 88 Obligations
A	CARE - Logistical Support with National Calamities Unit (C)	CARE (U.S.)	IDA	86-88	6,900,000 100%	2,900,000	2,000,000**	2,000,000**
A	World Vision - Oper. Costs for Emergency Food Distribution (C)	World Vision (U.S.)	IDA	86-88	836,000 100%	236,300	300,000**	300,000**
A	Church World Service - Relief and Rehabilitation (C)	Church World Service (U.S.)	77	87-88	100,000 100%	-0-	50,000**	50,000**

(B) indicates Bilateral; (R) indicates Regional; (C) indicates Centrally-funded

Represents request from the PVOs currently working in Mozambique for continuation of relief and food distribution assistance.

AFRICA BUREAU TABLE V

FY 1988 ANNUAL BUDGET SUBMISSION

PRIVATE SECTOR ACTIVITIES

<u>Project No.</u>	<u>(Bilateral) Project Name</u>	<u>Implementing Organization (US/Non US)</u>	<u>Functional Account</u>	<u>Private Sector LOP Span</u>	<u>Priv. Sect. LOP Total Project and % of Total</u>	<u>FY - 86 Obligations</u>	<u>FY - 87 Obligations</u>	<u>FY - 88 Obligations</u>
656-0201	Private Sector Rehabilitation Program	GPRM(Non U.S.)	ESF	84-87	43,570,000/100%	9,570,000	13,000,000	--
656-0205	Technical Consultancies and Training Project	TBD (U.S.)	ESF	87-89	6,000,000/75%	--	2,000,000	2,000,000
656-0206	Private Sector Support Program	GPRM(Non U.S.)	ESF	88-90	39,000,000/100%	--	--	13,000,000
656-0005	Int'l. Disaster Assistance - Seal Proc.	GPRM(Non U.S.)	IDA	86-86	800,000/100%	800,000	--	--

AFRICA BUREAU TABLE VI  
FY 1988 ANNUAL BUDGET SUBMISSION

REGIONAL AND CENTRALLY FUNDED ACTIVITIES (\$000)

Project #	Project Name	Organization Implementing (U.S./Non U.S.)	Functional Account	LOP (Yrs)	LOP	FY-80 Obligations			FY-87 Obligations			FY-88 Obligations		
<u>I. Directly Related To Mission Portfolio:</u>														
698-0463	Afr. Manpower Dev. III (AMDP)	AAI (U.S.)	EHR/ARDN	87-92	\$ 600	\$ -0-	\$ -0-	\$ -0-	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
698-0455	AFGRAD III	AAI (U.S.)	EHR	85-92	\$ 990	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198
690-0206.56	Planning Mgmt & Research	Various (U.S. & non-U.S.)	ESP	85-88	\$ 80	\$ 80	\$ 80	\$ 80	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
N/A*	Care Logistical Support for National Calamities Unit	CARE (U.S.)	DA	87-88	\$4,000	\$ -0-	\$ -0-	\$ -0-	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
N/A*	World Vision - Operating Costs for Emergency Food Distribution	World Vision (U.S.)	DA	87-88	\$ 600	\$ -0-	\$ -0-	\$ -0-	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
N/A*	Church World Service - Relief and Feeding	Church World Service (U.S.)	DA	87-88	\$ 100	\$ -0-	\$ -0-	\$ -0-	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
<u>II. Indirectly Related to Mission Portfolio:</u>														
690-0231	Reg. Transportation Devel.	GRPM (non-U.S.)	ESP	85-88	\$5,540	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
N/A**	PVO Support for Rural Level. Various PVOs	Various PVOs	ESP	88-91	\$ 800	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 800
<u>III. Not Related to Mission Portfolio:</u>														
NONE														

\* - Mission expects to receive funding from PVA for PVO food distribution and support.

\*\* - Mission will request funding from central funding sources for new PVO development activities.

TABLE VII - LIST OF PLANNED EVALUATIONS  
 FY 1988 ANNUAL BUDGET SUBMISSION  
 COUNTRY: MOZAMBIQUE

Project List (Project No. & Titles)	Last Eval Completed (No./Yr.)	FY 1987		FY 1988		Reasons/Issues	Funding Source (\$000)	USAID Person Days	Collateral Assistance
		Start AID/W (Qtr)	To AID/W (Qtr)	Start AID/W (Qtr)	To AID/W (Qtr)				
<u>Agriculture, Rural Development, and Nutrition</u>									
Private Sector Rehabilitation I (656-0201): TA	--	4 (FY86)	1			PACD: 9/87 The project aims to provide managerial and technical skills needed to support private sector growth. Evaluation will assess progress in funding TA and training, adherence to eligibility criteria, major problems requiring project adjustments, and objectives achievement and will recommend further assistance.	Proj. 16  REDSO 3 and AAO/M 4 OE	20  10	IQC 1 expert for 20 person-days.  REDSO/ESA (20 person days) and AFR/DP (10 person-days).
<u>Economic Support Fund</u>									
Private Sector Rehabilitation I (656-0201): TA	--	4 (FY86)	1			PACD: 9/87 This is part of the same project indicated above, but has another funding source. The evaluation criteria and funding are the same as that above.			

TABLE VII - LIST OF PLANNED EVALUATIONS  
 FY 1988 ANNUAL BUDGET SUBMISSION  
 COUNTRY: MOZAMBIQUE  
 (continued)

Project List (Project No. & Title)	Last Eval Completed (Mo./Yr.)	FY 1987		FY 1988		Reasons/Issues	Funding Source (\$000)	USAID Person Days	Collateral Assistance
		Start (Qtr)	To (Qtr)	Start (Qtr)	To (Qtr)				
Private Sector Rehabilitation II (656-0201A): CIP	--	1	2			<p>PACD: 9/86            Project is a continuation of            Private Sector Rehabilitation            I. Evaluation will assess            effectiveness and timeliness            of imports and distribution,            extent to which imports reached            the intended end-users, the            production response attributable            to the provision of the AID            inputs and equipment and the            allocation process used for            the large equipment.</p>	PRR 16 REDSO 6 and/or AAO/M 4 OE 5	40 5	IQC 20 Person Days. REDSO/ESA or USAID/ Swaziland PDO, Reg. Economist (20 per- son days each) and SER/AAM (5 person days).
Private Sector Rehabilitation II (656-0201A): TA	--	4	1			<p>PACD: 9/89            Project is a continuation of            technical assistance and            training component of Private            Sector Rehabilitation I.            Since the TA components have            just recently started, the            evaluation of both Phase I and            Phase II will be conducted            at the same time and will have            the same objectives.</p>			

TABLE VII - LIST OF PLANNED EVALUATIONS  
 FY 1988 ANNUAL BUDGET SUBMISSION  
 COUNTRY: MOZAMBIQUE  
 (continued)

Project List (Project No. & Title)	Last Eval Completed (No./Yr.)	FY 1987		FY 1988		Reasons/Issues	Funding Source (\$000)	USAID Person Days	Collateral Assistance
		Start To (Qtr)	AID/W (Qtr)	Start To (Qtr)	AID/W (Qtr)				
Private Sector Rehabilitation III (656-0201B): CIP	--	4	1 (FY88)			<p>PACD: est. 12/87</p> <p>Project is a continuation of PSR Phases I and II CIP. This evaluation will assess the overall impact of the PSR CIPs and the success of meeting objectives. This evaluation will also make recommendations for the design of the Private Sector Support CIP for FY88 obligation.</p>	PMR 15 REDSO 4 and/or AAO/M 2 OE	15 15 15	<p>IQC 15 Person Days.</p> <p>REDSO/ESA or USAID/ Swaziland PPO, Reg. Economist (both for 15 person-days).</p>

NEW PROJECT NARRATIVE

A. Project Number and Title: Technical Consultancies and Training (656-0205)

B. Project Funding: FY1987 - \$2,000,000 (Grant)  
FY1988 - \$2,000,000 (Grant)  
FY1989 - \$2,000,000 (Grant)  
Life of Project Cost - \$6,000,000

C. Appropriation Account: Economic Support Fund

D. Major Development Problem Addressed:

The project is fundamentally a recognition of the severe constraints imposed upon the Mozambican private sector by the insufficiency of skilled managerial and technical manpower in both private firms and in public agencies, whose services are essential to the well-being and growth of the private sector. Support for the private sector and the enhancement of productivity capacities are the twin goals of the development program for Mozambique. Studies undertaken by SADC (in part with AID funding) have concluded that Mozambique's human resource base is one of the weakest in Southern Africa. The lack of trained manpower has inhibited the efficient operation of the private sector.

Since 1983, the GPRM has taken progressively more positive steps to encourage the private sector. However, the scarcity of managerial personnel and lack of advisory services to public agencies have retarded GPRM efforts to create an environment conducive to private sector investment.

E. Project Purpose.

The purpose of the project is to assist in meeting the critical need for managerial and technical skills to support the private sector. The provision of consultancies and training would allow private enterprises to demonstrate and expand their productive capacities. It would permit the GPRM to continue its momentum in economic policy reforms, reinforce and implement its policies of returning the factors of production to the private sector, encourage indigenous private investment (if possible with foreign technical and financial partnerships), and assist in the rehabilitation of private enterprises by bringing them back into production and by improving their levels of efficient operations.

F. Preliminary Program Description.

The Technical Consultancies and Training Project essentially will continue and expand a limited number of activities started under the technical assistance component of the Private Sector Rehabilitation Program and will complement the material support provided under the CIP. The six-year project will be authorized at \$6 million in FY 1987, but will be incrementally financed (\$2 million) in each of FY 1987, 1988, and 1989. PP amendments will revise and detail the technical services and training to be funded by each tranche.

It would complement the on-going CIP by assisting private enterprises benefitting from its various facets. Technical support would increase the efficiency of private firms utilizing raw materials; consultancies would help factories organize and order (through the CIP) spare parts and would advise on the suitability and installation of capital equipment to improve the efficiency of newly privatized plants in need of rehabilitation. The project would expand the field servicing capacities of private truck and tractor distributors, especially as they relate to CIP-furnished agricultural machinery. TA would be provided to private firms willing, but technically not able, to serve as importers of AID-financed commodities.

Other anticipated activities represent follow-ons to earlier technical assistance efforts. These include services (small business accounting and management training, firm-specific feasibility studies, etc.) to enhance privatization prospects in the construction industry, as well as assistance to training mechanics employed by private commercial farmers.

Recognizing that the planning and implementation of policy initiatives require exposure to more market-oriented economic systems, the training component will finance long-term university fellowships for future Mozambican leaders, as well as study/observation visits tailored to the specific requirements of current senior Mozambican officials. Finally, the project will finance consultancies and training to public agencies providing vital support services to the private sector.

The Technical Consultancies and Training Project will be managed by the Program Officer of AAO/Maputo, in collaboration with a Program/Training Assistant. Participant training will be planned and implemented by a U.S. firm, with demonstrated capability to place candidates in educational institutions or training experiences in the U.S., Brazil, Portugal, or African countries.

#### G. Policy Factors.

The proposed project is fully consistent with AID's overall policy objectives. The project's purpose is to support the private sector, providing direct and indirect assistance to the privatization process in Mozambique. The pace and level of structural reforms and policy changes, as well as the degree of linkage to private sector support, will influence the funding availability for public agencies. Each of the proposed elements of the project will conform to the Congressional intent of directing U.S. assistance to the private sector.

#### H. Design Schedule

The PID for the proposed project will be drafted in February, 1987, following the evaluation of the technical assistance component of the Private Sector Rehabilitation program and a human resources development study. The PID is planned to be submitted for review in AID/W by March 1, 1987. A PP will be drafted during June, 1987, with authorization and obligation by August 15, 1987.

NEW PROJECT NARRATIVE

A. Project Number and title: Private Sector Support (656-J206)

B. Project Funding: FY1988 - \$13,000,000 (Grant)  
FY1989 - \$13,000,000 (Grant)  
FY1990 - \$13,000,000 (Grant)  
Life of Project Cost - \$39,000,000

C. Appropriation Account: Economic Support Fund

D. Major Development Problem Addressed:

Mozambique continues to be in an economic morass. The Government of the People's Republic of Mozambique (GPRM) has made significant policy changes in support of the private sector since 1984 and is encouraging the emergence of a private sector as one means of promoting economic growth and stability. AID feels that the best means of achieving long-term growth is through the private sector and is supporting the GPRM private sector initiatives and encouraging further movement toward a market economy. The Private Sector Rehabilitation (PSR) program (FY 1984-FY 1987) provided support to the private agricultural sector and encouraged increased production by providing foreign exchange for productive inputs needed by private commercial and family farmers. Evaluations have shown that the private sector farmers have utilized the inputs and equipment provided to them extensively and have increased overall production. The PSR program has been a successful commodity import program (CIP) and the commodities have made a substantial impact, both in revitalizing the private farming sector and in increasing production, in the targetted regions.

The continued scarcity of foreign exchange and the low priority given private sector agricultural production since independence has led to an extremely high, generally unmet demand for agricultural inputs and equipment from the private agricultural sector. The high production and economic potential of the private agricultural sector and the continued large unmet demand warrants the continued AID focus on providing agricultural equipment and inputs to private farmers.

E. Project Purpose

The purposes of the Commodity Import Program are to (1) continue to provide currently unavailable agricultural inputs, capital equipment, and implements to the private agricultural sector (family and commercial farmers, and cooperatives and (2) provide raw materials to private factories for the manufacture of agriculturally related materials in short supply. The objective of the assistance, a major part of the AID strategy in Mozambique, is twofold: to demonstrate and expand the productive capacities of the private commercial enterprises (both farm and non-farm) and to increase the agricultural output of the private sector, in general. The purposes of this project may change somewhat depending on the tough economic structural adjustments which the GPRM will most likely make in the next year. Also, this project will closely align with any new IBRD or IMF initiatives.

#### F. Preliminary Program Description

The Private Sector Support CIP will be fundamentally a continuation of the Private Sector Rehabilitation CIPs, but with more of an emphasis on systemic problems and on ensuring that the mix of commodities has the highest potential for value-added in country, especially for earning foreign exchange. The Private Sector Support program will be funded over three years with a planned total program cost of \$39 million. It will involve annual authorizations of \$13 million through separate PAAD documents.

The Private Sector Support CIP will continue to supply private farmers who have been supported under the Private Sector Rehabilitation programs. Private farmers in additional geographic areas will also be considered for assistance. Approximately \$10 million annually will be used to purchase a rational mix of inputs and equipment, including fuel and lubricants, depending on the requirements of each targetted area and the potential of the various commodities to affect production. In addition, about \$3 million annually will be used to purchase raw materials or, in some cases, plant or equipment for those private manufacturing firms with high growth and foreign-exchange earning potential and those manufacturing processes with high value-added end-products.

The Private Sector Support CIP will be managed by the Supply Management Officer in Maputo. The same very successful procedures as used in the PSR CIP will be used for the Private Sector Support CIP. The AAO/Maputo has two CIP monitors who will continue to monitor and evaluate the PSS CIP.

#### G. Policy Factors

The proposed Private Sector Support CIP is fully consistent with AID's overall policy objectives. The program's purpose is to support exclusively the private sector and will also include direct and indirect support for privatization in Mozambique. The pace and level of structural reforms and policy changes in Mozambique will influence the ultimate purpose of the program. However, continued movement by the GPRM in supporting the private sector and a market economy is expected based on past indications.

#### H. Design Schedule

The PAIP for the FY 1988 CIP will be completed in October, 1987, and the PAAD designed in January, 1988, following PAIP review and approval from AID/W. The first year of the Private Sector Support CIP will be designed using the findings of the FY 1986 PSR III program evaluation and other planned studies, such as a study on the production response of private farmers and an analysis of the allocation process. We expect that the PAAD will be authorized by the USAID/Swaziland Director in February, 1988, under the current delegations of authority.

AID PROGRAM IN FY 1988  
ANNUAL BUDGET SUBMISSION  
TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT 656 MOZAMBIQUE			PROGRAM FUNDING				
RANK	PROJECT	TITLE	NEW/ CONT	LOAN/ GRANT	APPROP	(\$000) INCR	CUM
1	0205	TECHNICAL CONSULTANCIES AND TRAINING	CONT	G	ESF	2000	2000
2	0206	PRIVATE SECTOR SUPPORT CIP	NEW	G	ESF	13000	15000
3	PL02	PL 480 TITLE II - WORLD VISION			P2	(2000)	15000
4	PL02	PL 480 TITLE II - GOVT/GOVT			P2	(15000)	15000
5	PL01	PL 480 TITLE I - MOZAMBIQUE			P1	(10000)	15000
6	S416	SECTION 416 - MOZAMBIQUE			S4	(6000)	15000

FY 1988 ANNUAL BUDGET SUBMISSION  
 Table VI - Expenditures of Local Currency Generations  
 (all in the U.S. dollar equivalents, and in \$-millions)

Source/Purpose	1985 ACTUAL	1986 ESTIMATE	1987 PLANNED	1988 PROPOSED
<b>I. ECONOMIC SUPPORT FUND</b>				
A. Public Development Activities	- -	1.5	4.5	4.5
1. Road and Market Construction				
2. Reforestation				
3. Irrigation Schemes				
4. Storage Facilities				
B. Private Sector Programs	- -	2.0	3.0	3.0
1. Land Clearing on Private Small Farms				
2. Irrigation Schemes				
3. Assistance to entrepreneurs				
C. Public Sector Recurrent Budget	- -	3.0	4.0	5.0
1. Support for Relief Coordinator (D.P.P.C.N.)				
2. Support for GPRM budget				
D. AID Operating Expenses (Trust Funds)	- -	0.179	0.197	0.217
<b>II. PL 480</b>				
A. Public Development Activities	- -	5.0	9.0	9.0
1. Road and Market Construction				
2. Support for Relief Effort				
B. Private Sector Programs	- -	1.0	3.5	4.0
1. Marketing Programs				
2. Irrigation Schemes				
C. Public Sector Recurrent Budget	- -	1.0	2.5	3.0
1. Support for Relief Effort				
<b>TOTALS</b>	- -	<b>13.679</b>	<b>26.697</b>	<b>29.717</b>

N.B. Above represents AAO/Maputo best estimates; AAO and GPRM will initiate study to develop local currency use strategy and plan to be completed by March 1987.

## LOCAL CURRENCY USE PLAN

### A. Generations Under P.L. 480

Substantial amounts of local currency have been generated from the FY 1984 and FY 1985 PL 480 programs in Mozambique. As of May 20, 1986, the special accounts for the PL 480 generations (both Title I and Title II emergency) total over 1.1 billion meticals (worth about \$27 million). Very little of these funds have yet been programmed, although the GPRM has a plan to program about 400 million meticals.

In FY 1986, local currency will be generated from the sale of 75,000 metric tons of Title I grains and of about 42,500 metric tons of Title II emergency grains. Based on estimates for the local sales price of the grains which will generate the local currency (average of 13 meticals per cilo), and using an exchange rate of 42 meticals/dollar, the dollar equivalent of the expected local currency generations is over \$36.3 million; this is while the USG cost of the grain will be less than \$20 million.

### B. Generations Under the Commodity Import Programs

Under the commodity import program, all items were sold to private or cooperative farmers with the proceeds accruing to the various parastatal or private importers or the retailer in the countryside. Depending on the commodity, proceeds are generated, for purposes of deposit into the Special Account, either by the payment of the importer, the distributor, or the actual purchaser (in the case of capital equipment). In addition, although not applicable to the FY 1984 CIP, the FY 1985 CIP includes and all future CIPs will include the requirement that proceeds from the surcharge be deposited into the special account as well. This will result in generations at least double the CIF value of the commodities in FY 1985 and after.

The GPRM has made contributions to the special account for the CIP on schedule. As of May 20, 1986, the CIP special accounts had over 322 million meticals (worth about \$7.6 million). It is expected that an additional 400 million meticals (worth about \$9.5 million) will be generated from the FY 1985 CIP and residuals from the FY 1984 CIP before December 31, 1986. It is estimated that the FY 1986 CIP will generate over 800 million meticals, or the equivalent of about \$19.1 million because of the substantial surcharge on most of the commodities to be imported.

### C. Local Currency Use

To date, no local currency funds from the special accounts have been disbursed nor have there been any serious proposals from the GPRM for the use of those funds. On May 19, 1986, we received a draft copy of a proposal from the GPRM for the use of over 409 million meticals for various projects, including the local costs of the Sabie-Inkomati dam funded by the Italians and the installation of sprinkler irrigation systems on 21,000 hectares in the Chokwe region. Although their proposal represents a start in the programming process, many of their projections are unrealistic and the amount is small compared to our current and projected total local currency generations. This poor record

is due to a number of reasons. First, the GPRM is very serious about using the generations for development projects and has not even approached the AAO/M about using these funds for recurrent government budgetary support. However, because the local currency can purchase very little besides labor, development projects require foreign exchange resources for a very large percentage of their total costs and foreign exchange is very scarce. Second, the office in the GPRM which is trying to coordinate the programming and disbursement of these funds is understaffed and has few trained officials to evaluate various proposals. Third, the AAO is not yet fully staffed and the AAO just does not have the time required to follow up with the GPRM on a regular basis. One of the major tasks of the new AAO Program Officer will be to program local currency funds.

As a result of the lack of programming to date and the substantial local currency which has been and will be generated in the special accounts, the AAO/Maputo will initiate a study using PMR funds to analyze the macro-economic implications of various uses of the local currency (including an analysis of all labor-controlled local currencies in the country), assess the possible uses of the local currency funds (including innovative or new ideas), and refine a strategy and plan for use of the local currency generations. We expect to have this study completed by March 31, 1987. With the arrival of the Program Officer in July-August, 1986, and the completion of the local currency study, the local currency generations should be utilized to a much greater extent than has been the case.

We expect that the local currency generations will continue to be for the most part allocated to agricultural development activities, especially those that have a high impact on the target population of the Private Sector Rehabilitation Program: the commercial and family farmer. The general criteria for use is that the expenditure must relate to the private sector and agricultural development goals of our joint cooperative economic undertaking.

However, depending on the findings of the study, the AAO will also consider the possibility of using some of the generations for government budgetary support. This method of utilizing local currency proceeds is a sensible alternative under present conditions in Mozambique for several of the reasons stated above.

FY 1988 ANNUAL BUDGET SUBMISSION

MISSION OPERATING EXPENSE NARRATIVE

A. Management Improvements

The AID Affairs Office was established in November, 1984, with two U.S. Direct Hires assigned on a long-term TDY basis. In March 1985, two positions were filled with permanent staff, and the third position was assigned in June, 1985. The office has been operated by three U.S. direct hires, with supporting locally-hired FSNs, for more than one year. The full complement of five direct hires should be attained by July, 1986. In the interim, AAO/Maputo has called on USAID/Mbabane, REDSO/ESA, and AID/W for TDY assistance. With full staffing, it is expected that requests for TDY assistance would be reduced.

The AAO has been able to recruit FSNs for some positions that are normally filled at other USAIDs by ICNs, thus saving in salary and support costs, and investing in long-term commitments by locally hired staff. An accountant has been hired, who receives on site training both in Maputo and Mbabane by the USAID/Mbabane Controller. Procedures relating to financial management and tracking have been implemented. In addition, reports have been computerized.

A Maintenance Supervisor was hired in March 1986, who works closely with the Embassy GSO. Since AAO/Maputo is still in the latter stages of start up, additional housing has to be acquired and brought up to U.S. standards, and the AID Office Building requires adaptations to make it conducive to the work environment.

Training of local staff is an ongoing activity, carried out in several phases. Computer training is a regularly scheduled activity. The direct hires have full responsibility for training the FSNs supervised by them in AID specific procedures. In addition, management and financial training are provided by staff from USAID/Mbabane.

B. Justification for Funding Changes

Most major operating expenses relating to the establishment of an office and presence have been made, or have been budgeted for FY 1986. The office building was purchased in 1985, and the offices are equipped with most furniture, office machines and computer equipment and vehicles to support the current and projected staff through FY 1987. To better utilize the floor space, and better accommodate the full time staff and TDYers, renovations will be required, for which floor plans have been made and security considerations have been planned.

C. Trust Fund

The Commodity Import Programs generate local currency (Metical) for the Trust Fund account. The CIPs, by FY, have or will generate the following (estimates only):

<u>FY</u>	<u>Percentage</u>	<u>Metical Value</u>	<u>U.S. Dollar Equiv.**</u>
1984	2%	5,100,000	127,500
1985	3.5%	16,800,000	420,000
1986	3.5%	13,400,000	335,000
	SUB TOTAL:	35,300,000	882,000
1987*	3.5%	18,200,000	455,000
1988*	3.5%	18,200,000	455,000

A Trust Fund Agreement was signed in August, 1985, and AID has been granted special concessions that Foreign Diplomatic Missions and International Organizations normally do not obtain in Mozambique. While other entities are required to pay for telephone, telex, electricity and water in dollars, converted at the official rate of exchange, AID has been granted authority to pay for these costs with local currency from the Trust Fund account.

In addition, the GPRM has agreed that AID can pay rentals with the Trust Fund generations. AID currently occupies two (of five) residences leased by the GPRM, but both lease agreements allow for the deduction of the renovation costs from the rent, effectively amortizing approximately two and one-half years of rent for each house. Therefore, rentals will not be paid with Trust Fund generations until January 1988 for one residence, and January 1989 for the second residence.

For Mozambican nationals who are employed by AID, a portion of their salary is paid in Meticals from the Trust Fund. Unfortunately, employees are finding the local currency diminishing in buying power by the month, and are requesting that more of their salary be covered by dollars, to enable them to buy food, which cannot be found on the open market, nor obtained with their ration cards.

Other miscellaneous costs are payable in Meticals, including local labor for car and appliance repair, and all port clearances. It is absolutely impossible to buy supplies with local currency, since there is nothing available on the local market to purchase.

\* FY 1987 and FY 1988 are based on a projected CIP funding level of \$13,000,000 p.a.

\*\* The official rate of exchange is approximately 40 Meticals to \$1.00, while the parallel market offers up to 1500 Meticals per dollar. A devaluation of the Metical is expected at any time, thus affecting the amount and value of the deposits into the Trust Fund account.

TABLE VIII - FY 1966  
Operating Expense Summary

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
<u>U.S. DIRECT HIRE</u>	U100				
U.S. CITIZENS BASIC PAY	U101	110	191.5		191.5
PT/TEMP U.S. BASIC PAY	U102	112	-		
DIFFERENTIAL PAY	U103	116	47.9		47.9
OTHER AID/W FUNDED CODE 11	U104	119	1.8		1.8
OTHER MISSION FUNDED CODE 11	U105	119	-		
EDUCATION ALLOWANCES	U106	126	5.0		5.0
RETIREMENT - U.S. DIRECT HIRE	U107	120	13.4		13.4
LIVING ALLOWANCES	U108	123	4.7		4.7
OTHER AID W FUNDED CODE 12	U109	129	2.3		2.3
OTHER MISSION FUNDED CODE 12	U110	129	1.1		1.1
POST ASSIGNMENT - TRAVEL	U111	212	5.1		5.1
POST ASSIGNMENT - FREIGHT	U112	22	25.0		25.0
HOME LEAVE - TRAVEL	U113	212	-		
HOME LEAVE - FREIGHT	U114	22	-		
EDUCATION TRAVEL	U115	215	5.3		5.3
R AND R TRAVEL	U116	215	4.5		4.5
OTHER CODE 215 TRAVEL	U117	215	2.0		2.0
<u>FOREIGN NATIONAL DIRECT HIRE</u>	U200				
BASIC PAY	U201	114	-		
OVERTIME, HOLIDAY PAY	U202	115	-		
ALL OTHER CODE 11 - FN	U203	119	-		
ALL OTHER CODE 12 - FN	U204	129	-		
BENEFITS FORMER FN PERSONNEL	U205	13	-		
<u>CONTRACT PERSONNEL</u>	U300				
<u>PASA TECHNICIANS</u>	U301	253	-	-	-
U.S. PSC - SALARY/BENEFITS	U302	113	35.9	-	35.9
ALL OTHER U.S. PSC COSTS	U303	255	12.5	-	12.5
F.N. PSC - SALARY/BENEFITS	U304	113	13.1	19.5	32.6
ALL OTHER F.N. PSC COSTS	U305	255	18.7	-	18.7
MANPOWER CONTRACTS	U306	259	-	-	-
JCC COSTS PAID BY AID/W	U307	113	-	-	-
<u>HOUSING</u>	U400				
RESIDENTIAL RENT	U401	235	40.3	-	40.3
RESIDENTIAL UTILITIES	U402	235	3.6	2.4	6.0
MAINTENANCE AND RENOVATION	U403	259	6.5	1.0	7.5
QUARTERS ALLOWANCES	U404	127	-	-	-
RESIDENTIAL FURNITURE/EQUIP.	U405	311	28.0	-	28.0
TRANS./FREIGHT - CODE 311	U406	22	10.0	-	10.0
SECURITY GUARD SERVICES	U407	254	2.2	5.0	7.2
OFFICIAL RESIDENCE ALLOWANCES	U408	254	-	-	-
REPRESENTATION ALLOWANCES	U409	251	0.5	-	0.5

TABLE VIII - FY 1986  
Operating Expense Summary

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
OFFICE OPERATIONS	U500				
OFFICE RENT	U501	234	-	-	-
OFFICE UTILITIES	U502	234	-	5.0	5.0
BUILDING MAINT./RENOVATION	U503	259	30.0	-	30.0
OFFICE FURNITURE/EQUIPMENT	U504	310	20.0	-	20.0
VEHICLES	U505	312	20.0	-	20.0
OTHER EQUIPMENT	U506	319	25.0	-	25.0
TRANSPORTATION/FREIGHT	U507	22	5.0	-	5.0
FURN/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	5.0	-	5.0
COMMUNICATIONS	U509	230	-	10.0	10.0
SECURITY GUARD SERVICES	U510	254	2.5	5.0	7.5
PRINTING	U511	24	1.0	-	1.0
SITE VISITS - RIG PERSONNEL	U512	210	-	-	-
SITE VISITS-MISSION PERSONNEL	U513	210	4.0	-	4.0
SITE VISITS-AID/W PERSONNEL	U514	210	40.0	-	40.0
INFORMATION MEETINGS	U515	210	8.0	-	8.0
TRAINING ATTENDANCE	U516	210	5.0	-	5.0
CONFERENCE ATTENDANCE	U517	210	7.5	-	7.5
OTHER OPERATIONAL TRAVEL	U518	210	10.0	-	10.0
SUPPLIES AND MATERIALS	U519	26	29.6	1.0	30.6
FAAS	U520	257	-	-	-
CONSULTING SVCS. - CONTRACTS	U521	259	-	-	-
MGT./PROF. SVCS. - CONTRACTS	U522	259	-	-	-
SPEC. STUDIES/ANALYSES CONT.	U523	259	-	-	-
ALL OTHER CODE 25	U524	259	10.0	2.0	12.0
TOTAL O.E. BUDGET			754.3	47.9	802.2
RECONCILIATION			254.3	-	254.3
OPERATING BUDGET REQUIREMENTS			500.0	47.9	547.9
636C REQUIREMENTS	U600	32	200.0	-	200.0
TOTAL ALLOWANCE REQUIREMENTS	U000		100.0	47.9	147.9

LOCAL COST SUPPORT COST DATA

F.N. PSC - SALARY/BENEFITS	U304	113			
ALL OTHER F.N. PSC COSTS	U305	255			
MANPOWER CONTRACTS	U306	259			
SITE VISITS - RIG PERSONNEL	U512	210			
SITE VISITS-MISSION PERSONNEL	U512	210			

DOLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES  
EXCHANGE RATE USED (MARCH 31, 1986)

-0-  
MT.42 = \$1.00

TABLE VIII - FY 1987  
Operating Expense Summary

<u>EXPENSE CATEGORY</u>	<u>FNDC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
<u>U.S. DIRECT HIRE</u>	U100				
U.S. CITIZENS BASIC PAY	U101	110	272.4		272.4
PT/TEMP U.S. BASIC PAY	U102	112	-		-
DIFFERENTIAL PAY	U103	116	68.1		68.1
OTHER AID/W FUNDED CODE 11	U104	119	1.5		1.5
OTHER MISSION FUNDED CODE 11	U105	119	-		-
EDUCATION ALLOWANCES	U106	126	20.8		20.8
RETIREMENT - U.S. DIRECT HIRE	U107	120	19.1		19.1
LIVING ALLOWANCES	U108	128	7.5		7.5
OTHER AID/W FUNDED CODE 12	U109	129	5.5		5.5
OTHER MISSION FUNDED CODE 12	U110	129	4.5		4.5
POST ASSIGNMENT - TRAVEL	U111	212	22.9		22.9
POST ASSIGNMENT - FREIGHT	U112	22	50.0		50.0
HOME LEAVE - TRAVEL	U113	212	7.0		7.0
HOME LEAVE - FREIGHT	U114	22	1.5		1.5
EDUCATION TRAVEL	U115	215	5.3		5.3
R AND R TRAVEL	U116	215	3.0		3.0
OTHER CODE 215 TRAVEL	U117	215	2.0		2.0
<u>FOREIGN NATIONAL DIRECT HIRE</u>	U200				
BASIC PAY	U201	114	-		-
OVERTIME, HOLIDAY PAY	U202	115	-		-
ALL OTHER CODE 11 - FN	U203	119	-		-
ALL OTHER CODE 12 - FN	U204	129	-		-
BENEFITS FORMER FN PERSONNEL	U205	13	-		-
<u>CONTRACT PERSONNEL</u>	U300				
PASA TECHNICIANS	U301	258	-		-
U.S. PSC - SALARY/BENEFITS	U302	113	-		-
ALL OTHER U.S. PSC COSTS	U303	255	-		-
F.N. PSC - SALARY/BENEFITS	U304	113	107.3	16.4	123.7
ALL OTHER F.N. PSC COSTS	U305	255	15.3	-	15.3
MANPOWER CONTRACTS	U306	259	-		-
JCC COSTS PAID BY AID/W	U307	113	-		-
<u>HOUSING</u>	U400				
RESIDENTIAL RENT	U401	235	69.1	-	69.1
RESIDENTIAL UTILITIES	U402	235	3.6	2.4	6.0
MAINTENANCE AND RENOVATION	U403	259	6.5	1.0	7.5
QUARTERS ALLOWANCES	U404	127	-		-
RESIDENTIAL FURNITURE/EQUIP.	U405	311	10.0	-	10.0
TRANS./FREIGHT - CODE 311	U406	22	2.0		2.0
SECURITY GUARD SERVICES	U407	254	4.5	4.5	9.0
OFFICIAL RESIDENCE ALLOWANCES	U408	254	-		-
REPRESENTATION ALLOWANCES	U409	252	0.5		0.5

TABLE III - FY 1987  
Operating Expense Summary  
(continued)

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
<u>OFFICE OPERATIONS</u>	U500				
OFFICE RENT	U501	234	-	-	-
OFFICE UTILITIES	U502	234	-	6.0	6.0
BUILDING MAINT./RENOVATION	U503	259	5.0	-	5.0
OFFICE FURNITURE/EQUIPMENT	U504	310	5.0	-	5.0
VEHICLES	U505	312	-	-	-
OTHER EQUIPMENT	U506	319	20.0	-	20.0
TRANSPORTATION/FREIGHT	U507	22	3.0	-	3.0
FURN/EQUIP/VEHICLE REPAIR/MAINT.	U508	359	15.0	-	15.0
COMMUNICATIONS	U509	230	-	22.0	22.0
SECURITY GUARD SERVICES	U510	254	3.0	3.0	6.0
PRINTING	U511	24	1.0	-	1.0
SITE VISITS-MISSION PERSONNEL	U512	210	15.0	-	15.0
SITE VISITS-AID/W PERSONNEL	U513	210	45.0	-	45.0
INFORMATION MEETINGS	U514	210	10.0	-	10.0
TRAINING ATTENDANCE	U515	210	6.0	-	6.0
CONFERENCE ATTENDANCE	U517	210	3.0	-	3.0
OTHER OPERATIONAL TRAVEL	U518	210	11.0	-	11.0
SUPPLIES AND MATERIALS	U519	26	20.0	2.0	22.0
FAAS	U520	257	-	-	-
CONSULTING SVCS. - CONTRACTS	U521	259	-	-	-
MGT./PROF. SVCS. - CONTRACTS	U522	259	5.0	-	5.0
SPEC. STUDIES/ANALYSES CONT.	U523	259	-	-	-
ALL OTHER CODE 25	U524	259	12.0	-	12.0
<b>TOTAL O.E. BUDGET</b>			<b>884.6</b>	<b>47.3</b>	<b>931.9</b>
<b>RECONCILIATION</b>			<b>367.6</b>	<b>-</b>	<b>367.6</b>
<b>OPERATING BUDGET REQUIREMENTS</b>			<b>517.0</b>	<b>47.3</b>	<b>564.3</b>
636C REQUIREMENTS	U600	32	-	-	-
TOTAL ALLOWANCE REQUIREMENTS	U000		517.0	47.3	564.3

DOLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES  
EXCHANGE RATE USED (MARCH 31,1986)

-0-  
MT.42=\$1.00

Estimated Wage Increase - FY 1986 to FY 1987  
Estimated Price Increase - FY 1986 to FY 1987

15%  
12%

TABLE VIII - FY 1988  
Operating Expense Summary

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
<u>U.S. DIRECT HIRE</u>	U100				
U.S. CITIZENS BASIC PAY	U101	110	250.0		250.0
PT/TEMP U.S. BASIC PAY	U102	112	-		-
DIFFERENTIAL PAY	U103	116	62.5		62.5
OTHER AID/W FUNDED CODE 11	U104	119	1.5		1.5
OTHER MISSION FUNDED CODE 11	U105	119	-		-
EDUCATION ALLOWANCES	U106	126	15.3		15.3
RETIREMENT - U.S. DIRECT HIRE	U107	120	17.5		17.5
LIVING ALLOWANCES	U108	123	7.7		7.7
OTHER AID/W FUNDED CODE 12	U109	129	7.2		7.2
OTHER MISSION FUNDED CODE 12	U110	129	4.0		4.0
POST ASSIGNMENT - TRAVEL	U111	212	44.4		44.4
POST ASSIGNMENT - FREIGHT	U112	22	40.0		40.0
HOME LEAVE - TRAVEL	U113	212	-		-
HOME LEAVE - FREIGHT	U114	22	-		-
EDUCATION TRAVEL	U115	215	8.5		8.5
R AND R TRAVEL	U116	215	9.0		9.0
OTHER CODE 215 TRAVEL	U117	215	2.0		2.0
<u>FOREIGN NATIONAL DIRECT HIRE</u>	U200				
BASIC PAY	U201	114	-		-
OVERTIME, HOLIDAY PAY	U202	115	-		-
ALL OTHER CODE 11 - FN	U203	119	-		-
ALL OTHER CODE 12 - FN	U204	129	-		-
BENEFITS FORMER FN PERSONNEL	U205	13	-		-
<u>CONTRACT PERSONNEL</u>	U300				
PASA TECHNICIANS	U301	258	-		-
U.S. PSC - SALARY/BENEFITS	U302	113	-		-
ALL OTHER U.S. PSC COSTS	U303	255	-		-
F.N. PSC - SALARY/BENEFITS	U304	113	121.5	26.8	148.3
ALL OTHER F.N. PSC COSTS	U305	255	1.1		1.1
MANPOWER CONTRACTS	U306	259	-		-
JCC COSTS PAID BY AID/W	U307	113	-		-
<u>HOUSING</u>	U400				
RESIDENTIAL RENT	U401	235	69.1	-	69.1
RESIDENTIAL UTILITIES	U402	235	3.6	2.4	6.0
MAINTENANCE AND RENOVATION	U403	259	6.5	1.0	7.5
QUARTERS ALLOWANCES	U404	127	-	-	-
RESIDENTIAL FURNITURE/EQUIP.	U405	311	10.0	-	10.0
TRANS./FREIGHT - CODE 311	U406	22	2.0	-	2.0
SECURITY GUARD SERVICES	U407	254	5.0	5.0	10.0
OFFICIAL RESIDENCE ALLOWANCES	U408	254	-	-	-
REPRESENTATION ALLOWANCES	U409	252	0.5	-	0.5

TABLE VIII - FY 1988  
Operating Expense Summary  
(continued)

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>
OFFICE OPERATIONS	U500				
OFFICE RENT	U501	234	-	-	-
OFFICE UTILITIES	U502	234	-	7.0	7.0
BUILDING MAINT./RENOVATION	U503	259	5.0	-	5.0
OFFICE FURNITURE/EQUIPMENT	U504	310	5.0	-	5.0
VEHICLES	U505	312	12.0	-	12.0
OTHER EQUIPMENT	U506	319	15.0	-	15.0
TRANSPORTATION/FREIGHT	U507	22	5.0	-	5.0
FURN/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	15.0	-	15.0
COMMUNICATIONS	U509	260	-	15.0	15.0
SECURITY GUARD SERVICES	U510	264	5.0	5.0	10.0
PRINTING	U511	24	1.0	-	1.0
SITE VISITS-MISSION PERSONNEL	U512	210	15.0	-	15.0
SITE VISITS-AID/W PERSONNEL	U513	210	45.0	-	45.0
INFORMATION MEETINGS	U514	210	10.0	-	10.0
TRAINING ATTENDANCE	U515	210	7.0	-	7.0
CONFERENCE ATTENDANCE	U517	210	8.0	-	8.0
OTHER OPERATIONAL TRAVEL	U518	210	12.0	-	12.0
SUPPLIES AND MATERIALS	U519	26	20.0	2.0	22.0
FAAS	U520	257	-	-	-
CONSULTING SVCS. - CONTRACTS	U521	259	-	-	-
MGT./PROP. SVCS. - CONTRACTS	U522	259	-	-	-
SPEC. STUDIES/ANALYSES CONT.	U523	259	-	-	-
ALL OTHER CODE 25	U524	259	15.0	-	15.0
<b>OTAL O.E. BUDGET</b>			<b>867.9</b>	<b>62.2</b>	<b>930.1</b>
<b>RECONCILIATION</b>			<b>338.6</b>	<b>-</b>	<b>338.6</b>
<b>OPERATING BUDGET REQUIREMENTS</b>			<b>529.3</b>	<b>62.2</b>	<b>591.5</b>
636C REQUIREMENTS	U600	32	-	-	-
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	U000		<b>529.3</b>	<b>62.2</b>	<b>591.5</b>

DOLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES  
EXCHANGE RATE USED (MARCH 31, 1986)

-0-  
MT.42 = \$1.00

Estimated Wage Increase - FY 1987 to FY 1988  
Estimated Price Increase - FY 1987 to FY 1988

15%  
10%

FY 1988 ANNUAL BUDGET SUBMISSION

TABLE VIII (a)  
INFORMATION ON U.S. PSC COSTS

<u>Position Title/Description</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
Management Officer	35.9	-0-	-0-
	—	—	—
TOTAL:	35.9	-0-	-0-

FY 1988 ANNUAL BUDGET SUBMISSION

TABLE VIII (b)  
All Other Code 25 Detail

<u>Description</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
Medical Services	2.0	3.0	4.0
Computer Training	2.0	3.0	4.0
Misc. Services	<u>6.0</u>	<u>6.0</u>	<u>7.0</u>
TOTAL	10.00	12.00	15.00

FY 1988 ANNUAL BUDGET SUBMISSION

INFORMATION TECHNOLOGY NARRATIVE

Since its establishment, the AID Affairs Office has implemented the utilization of the WANG PCs in as many operations as possible. The first unit was brought by the first person to arrive at Post, on a long term TDY, and the use of the computer has been applied to as many functions as possible since the beginning of the AID presence in Mozambique.

The AID Affairs Office in Maputo uses its four WANG Personal Computers constantly for:

**Word Processing:** documents, translations, cables, telexes, grant agreements, letters (in both English and Portuguese),

**Spreadsheets:** Commodity Import Program budgets and monitoring; commodity distribution and sale; CIP field monitoring to evaluate effect of AID-financed imports on output; local currency and trust fund accounts deposit monitoring; purchase order tracking; household inventory control; expendable item control and reordering cycles; operating expense budgets, in U. S. dollars and local currency from trust fund.

**Automation of routine, repetitive clerical functions:** PSN payroll, purchase orders, vouchers, covering memos and letters for transmittal of documents to Embassy and to Government agencies.

**Automated tickler system** for action cables, letters, memos and documents.

Under the direction of the Commodity Management/Executive Officer, AAO/Maputo has hired a Computer Systems Manager to facilitate the running and development of the computers. Responsibilities include:

**Development and implementation of training for all PSN and U.S. Direct Hire staff.** Training of PSNs is critical, since there has been no computer training available in Maputo, on any kind of equipment.

**Custom made programs for procedures particular to the AID Affairs Office requirements, including glossaries for project management and daily office operations.**

**Successful negotiation of a maintenance contract with the authorized WANG dealer in a neighboring country.** This has allowed the AAO to obtain quick and reliable service and to maintain all work stations in full operating mode.

**Coordination of maintenance services when technician is at Post.**

During FY 1986, AAO procured a PTP-3 tape punch. This will allow for messages to be transmitted by telex from the AAO to be drafted in the word processing software and then have the tape automatically prepared for feeding into the telex machine. This process will eliminate the necessity of preparing the

message at least two times, once by the drafter and again by the telex operator for transmission, thus making message preparation more efficient. In addition, the use of the tape punch can be applied to the preparation of text of State Department cables for transmission.

A modem was also procured, but is not yet installed. Its main use will be to send and receive financial data from USAID/Mbabane, where the Controller for the AAO/Maputo is located. With the recent availability of direct dialing between Mbabane and Maputo, this equipment can now be installed.

The fifth WANG PC was ordered during the third quarter of FY 1986, and should be in operation prior to the end of the FY.

It is foreseen that additional software will be procured, as innovations come on the market. An integrated program of spreadsheets and word processing, such as "Symphony" or "Jazz" would be useful. In addition, "Time Line", a project management/tracking system, approved by M/SER/IRM, is being considered. A Direct Hire employee will be evaluating this program during this fiscal year and make a determination as to applicability to the Post's needs.

Due to the large number of reports, charts and graphs required for evaluations of activities, a graphics capability will have to be developed. The latest technological breakthroughs will be reviewed prior to the end of this FY to determine the best equipment appropriate for the Post's requirements.

Two more workstations have been budgeted for FY 1987 due to the increase in professional staff, the constant TDY demands on ADP equipment, and increased implementation of computerization of all office functions. This will bring the workstation to user ratio at 3.0 (with consideration of TDY personnel, the user ratio would be higher than 3.0).

An evaluation of the Post's computer training and implementation of computer use should be conducted by M/SER/IRM after March, 1987, to allow for a one year implementation of the training program by the Computer Systems Manager, and at least eight months of a full complement of U.S. direct hires at Post.

The automated equipment acquisition planned for the FY 1986 through FY 1992 period is as follows:

FISCAL YEAR:	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
PC Work stations	5	7	7	7	7	7	7
Users	19	21	21	21	21	21	21
Users per work station	3.8	3.0	3.0	3.0	3.0	3.0	3.0

TABLE VIII (c)  
 OBLIGATIONS FOR ACQUISITION, OPERATION  
 AND USE OF INFORMATION TECHNOLOGY SYSTEMS

<u>Item and Explanation</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
1. <u>Capital Investment</u>			
A. <u>Purchase of Hardware</u>	10.0	14.0	4.0
Purchase of automation equipment by the Mission, such as Wang VS mini-computer, WANG OIS System, WANG WP equipment and micro-computers (including portables) and their associated workstations/terminals, printers, and telecommunications modems and multiplexers.			
B. <u>Purchase of Software or Other Equipment</u>	2.0	3.0	3.0
Purchase of software by the Mission to operate on existing or new automation, equipment (hardware) — CP/M, Multiplan, DBASE II and III, Microstat, LOTUS 1-2-3, etc. Other equipment includes special purpose furniture.			
C. <u>Site and Facility</u>	1.5	3.0	
Cost of proposed site construction to prepare for setting up a WANG VS or WANG OIS automation system, such as raised floors, walls, air conditioning, power line conditioners, and the uninterruptable power supplies.			
Subtotal	13.5	20.0	7.0

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TABLE VIII (c) (continued)

<u>Item and Explanation</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
2. <u>Personnel</u>	.5	1.0	1.0
<p>Mission will provide requirements below for the number of personnel involved in supporting the information technology functions according to the following categories:</p> <p>Number of Personnel engaged in            Systems Management,            Systems Operation,            Programming and Systems Development, and            Clerical Support.            (Personnel that use systems will not be included).</p>			
A. <u>Total Compensation, Benefits, and Travel</u>			
B. <u>Total Work Years</u>	.5	1.0	1.0
3. <u>Equipment Rental, Space, and Other Operating Costs</u>			
A. <u>Lease of Equipment</u>			
<p>Obligations for lease and maintenance of non-government owned equipment (rented equipment) and software furnished as a part of the rental contract.</p>			
B. <u>Space</u>			
<p>Obligations for lease of space or government furnished space to house automatic equipment as well as space for personnel (direct-hire and contractor) involved in the information technology function (see 2A &amp; 2B) including basic utilities and housekeeping services.</p>			

TABLE VIII(c) (continued)

<u>Item and Explanation</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
C. <u>Supplies and Other</u> Obligations for supplies and software rental (not included in a rental contract for equipment).	4.0	5.0	5.0
D. <u>Non-Commercial Training</u> Obligations for planning and conducting government operated training to prepare users to make effective use of automation resources.	1.0	1.0	1.0
Subtotal	5.0	6.0	6.0
4. <u>Commercial Services</u>			
This includes obligation for services where payments are made to private industry.			
A. <u>Computer Time</u> Obligations to fund contract with a private firm to provide computer time to the Mission.			
B. <u>Leased Telecommunications Services</u> Obligations for leased telephone lines and other telecommunication services to obtain data from other computers or to transmit data. For missions, where applicable include, but identify separately the lease of local telephone lines, modems, and other equipment to reach the American Embassy's Office of Communications for the purpose of transmission of data to and from AID/W.	2.0	2.0	2.0

TABLE VIII(c) (continued)

Item and Explanation	FY 1986	FY 1987	FY 1988
C. <u>Operations and Maintenance</u>			
(1) <u>Operations</u> Include funds to be obligated for contractor services to operate a WANG VS computer or an OIS System (system administrator and staff, not workstation operators).			
(2) <u>Maintenance</u> Include obligations for contracts to maintain government-owned equipment (hardware) and software that is currently in place in 1A and 1B above.	6.0	8.0	8.0
D. <u>Systems Analysis and Programming</u>			
Obligations for contractor services to design and program new ADP or OIS application systems and to maintain existing application systems.			
E. <u>System Design and Engineering</u>			
(Do not complete - OMB requirement not applicable to AID.)			
F. <u>Studies and Other</u>			
Obligations for management and feasibility studies, requirement definitions, and commercial training.			
Subtotal	8.0	10.0	10.0
5. <b>T O T A L S</b>			
<b>Total Obligations</b>	<u>26.5</u>	<u>23.5</u>	<u>15.0</u>
Work years (from item 2A)	.5	1.0	1.0

TABLE VIII(c) (continued)

<u>Item and Explanation</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
6. <u>Special Breakout</u>	13.0		
A Amounts included in Mission allowances for <u>existing systems</u> . (Includes 2A, 3, and 4.) (Services for equipment in place only.)			
B. Amounts included in Mission allowances for <u>new or expanded systems</u> . (includes 1, 2A, 3, and 4.) Equipment and services for new efforts beginning during the fiscal year.)		36.0	23.0

FY 1988 ANNUAL BUDGET SUBMISSION

SUPPLEMENT TABLE VIII (d)  
INFORMATION ON U.S. DIRECT HIRE STAFFING  
AFRICA BUREAU

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<u>Pos.No.</u>	<u>Position Title</u>	<u>Program Management Responsibility</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
6560005	AID Affairs Officer	Principal Officer	1.0	1.0	1.0
6560008	Program Officer	Technical Assistance/Training	0.3	1.0	1.0
6560010	Food for Peace Officer	Food/Humanitarian Assistance	1.0	1.0	1.0
6560015	Commodity Management/ Executive Officer	Commodity Import Program	1.0	1.0	1.0
6560025	Executive Assistant	None	0.3	1.0	1.0
TOTALS:			<u>3.6</u>	<u>5.0</u>	<u>5.0</u>

FY 1988 ANNUAL BUDGET SUBMISSION

SUPPLEMENT TABLE VIII (e)  
INFORMATION ON IDI STAFFING  
AFRICA BUREAU

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<u>BS</u> <u>Code</u>	<u>Title</u>	<u>FY</u> <u>1986</u>	<u>FY</u> <u>1987</u>	<u>FY</u> <u>1988</u>
	None			

FY 1988 ANNUAL BUDGET SUBMISSION

SUPPLEMENT TABLE VIII (f)  
 INFORMATION ON FOREIGN & THIRD COUNTRY NATIONAL STAFFING  
 AFRICA BUREAU

<u>FSN/TCN</u>	<u>Descriptive Job Title</u>	<u>Fund Source</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
FSNPSC	Accountant	TF (50%) OE (50%)	0.5	1.0	1.0
FSNPSC	Building Maintenance Supervisor	OE	0.5	1.0	1.0
FSNPSC	Administrative & Program Assistant	OE	1.0	1.0	1.0
FSNPSC	Secretary/Receptionist	OE	1.0	1.0	1.0
FSNPSC	Procurement & Management Assistant	OE	1.0	1.0	1.0
FSNPSC	Food for Peace Monitor	OE	0.2	1.0	1.0
FSNPSC	Food for Peace Secretary	AFSUPP	0.5	0.5	
	Food for Peace Secretary	OE		0.5	1.0
FSNPSC	Senior Driver	TF (75%) OE (25%)	1.0	1.0	1.0
FSNPSC	Driver	TF (75%) OE (25%)	1.0	1.0	1.0
FSNPSC	Janitor	TF (75%) OE (25%)	1.0	1.0	1.0
FSNPSC	Computer Systems Supervisor	OE	0.6	1.0	1.0
FSNPSC	Driver	TF (75%) OE (25%)	0.3	1.0	1.0
FSNPSC	Driver	TF (75%) OE (25%)	0.3	1.0	1.0
FSNPSC	Commodity Import Monitor	PG	1.0	1.0	1.0
FSNPSC	Commodity Import Field Monitor	PG	0.5	1.0	1.0
FSNPSC	Training Assistant	OE		1.0	1.0
FSNPSC	Secretary	OE		1.0	1.0
	<b>TOTAL:</b>		<b>10.4</b>	<b>17.0</b>	<b>17.0</b>

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FY 1988 ANNUAL BUDGET SUBMISSION

SUPPLEMENT TABLE VIII (g)  
INFORMATION ON PART-TIME STAFFING  
AFRICA BUREAU

<u>US/FSN/TCN</u>	<u>Descriptive Job Title</u>	<u>Fund Source</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
FSNPSC	Typist	OE	0.3	0.5	0.5
FSNPSC	GSO Assistant	OE	0.3	0.5	0.5
	TOTAL:		0.6	1.0	1.0

FY 1988 ANNUAL BUDGET SUBMISSION

PL 480 NARRATIVE

FOOD ASSISTANCE UNDER PL 480

A. TITLE I AND TITLE II PROGRAMS

In FY 1985 Mozambique and AID re-commenced a Title I program; AID supplied a total of 86,000 MT of corn, wheat, rice, and related ocean transport with a value of \$21 million. In FY 1986, AID will supply an additional 75,000 MT of corn, wheat, rice, and will finance ocean freight for a combined total of \$13.9 million. For FY 1987 and FY 1988, under Title I, the GPRM is requesting the same volume and mix of commodities and, given the foreign exchange constraint, is requesting ocean transportation financing. AAO/Maputo has limited the request to the \$10 million AAPL supplied by AID/W.

As AID/W is aware, there exists a critical, long term structural food deficit in Mozambique which will probably require continued high levels of food assistance during the next several fiscal years. We are planning an evaluation and strategic planning study team to be fielded in the near future, one which will develop an overall food assistance strategy and make recommendations on the types and levels of assistance in FY 1987, FY 1988, and out-years. The study may suggest a PL 480 Section 206 program, or a Title III accommodation, due to the critical financial and foreign exchange position of Mozambique. Title I may be changed to Title II Emergency, due to the lack of foreign exchange and the potential inability of repayment in the foreseeable future. All of these items will be studied by the team and recommendations will be forthcoming.

B. TITLE II EMERGENCY ASSISTANCE

1. WORLD VISION INTERNATIONAL (WVI)

In FY 1985, World Vision International received 13,000 MT of corn from the USG under a PL 480 Title II Emergency Program for distribution in Mozambique. In cooperation with the Department of Natural Calamities (DPCCN) and the Mozambican Red Cross as sub-cooperating sponsor, WVI distributed these commodities to drought/insurgency affected recipients in Tete and Manica Provinces of Western Mozambique, and to a smaller number of recipients in Gaza. The currently approved FY 1986 Title II Emergency Program consists of 12,960 MT of beans, corn and vegetable oil. Distribution is on-going primarily in Tete and Manica Provinces with a small quantity of 750 MT of corn going to Gaza. This program is currently reaching 100,000 beneficiaries on a daily basis. Due to recent insurgent activities in Quelimane, WVI was authorized to divert 2,000 MT to Zambezia for the feeding of approximately 100,000 persons who have fled their farms and now require food assistance in that province.

For logistical purposes, the WVI Office is presently in Harare. An office in Maputo is being opened in the near future, and they have already opened small sub-offices in Tete and Chimoio. To date their staff includes an American

director, a Canadian program field director, an office staff of three, as well as three monitors or field supervisors who monitor food distributions, conduct end use checks, verify warehouse documentation, prepare monthly reports and carry out consultations with local counterparts.

AID/W has recently agreed to approve two separate tripartite agreements with Zimbabwe and Malawi for 10,000 MT of white corn, of which 3,000 MT will come from Malawi to Tete Province and 7,000 MT from Zimbabwe to Manica and Sofala Provinces. Zimbabwe and Malawi will receive an equivalent value in PL 480 wheat. This was an emergency response to the severe food shortages now being experienced in Tete, Manica, Sofala, and Zambezia Provinces. The program will be implemented by WVI using their current staff and on-going operations. A Supplemental Operational Program Plan for this additional 10,000 MT of corn under the Tripartite Agreement has been approved by the GPRM and AAO/Maputo.

WVI receives program support from a variety of sources to assist in the implementation and monitoring of its ongoing emergency program. This program expansion will be supported from those same sources. For the period February 1986 to February 1987, WVI expects to receive an OFDA grant for program implementation amounting to \$236,000. In addition, the Government of Zimbabwe has already contributed Z\$ 120,000 for support costs in Zimbabwe, with another Z\$ 170,000 committed. Finally the GOZ has agreed to an additional Z\$ 150,000, which will bring their total contribution to Z\$ 440,000, or approximately US\$270,000. The GPRM will contribute approximately \$10,000 in local currency for program support. WVI expects to contribute US\$ 186,678 of its own funds for program support and implementation.

At present, WVI has no plans for phase out/down of operations in Mozambique, as the needs are expected to remain constant or increase as the security situation shows no signs of improving at the present time. WVI expects to continue a Title II program for FY 1988 and will request commodities of at least \$1 million to support the program.

## 2. CHURCH WORLD SERVICE/CHRISTIAN COUNCIL OF MOZAMBIQUE (CWS/CCM)

Since 1984, CWS/CCM has been working in Mozambique with a Title II emergency feeding program for 34,000 drought victims in 10 areas of Inhambane Province. They are in the midst of distributing 3,754 MT (valued at about \$1.7 million) of corn, rice, and vegetable oil. CWS/CCM also received a grant of \$65 thousand from OFDA which covered 50 percent of the cost of four 15-ton trucks for use in the Inhambane program. They also purchased 24,000 liters of fuel to assist in commodity deliveries.

On the national and local level, CWS/CCM works closely with the DPCCN. In fact their commodities are all countersigned and delivered to the central regions by DPCCN using two of the CWS/CCM trucks and from there they are delivered to the CWS/CCM provincial coordinator who monitors the receipts and disbursements of contributed commodities leaving DPCCN warehouses in Inhambane.

For FY 1987 and FY 1988, CWS/CCM will be submitting a request to continue their on-going program in the Inhambane Province. They expect to request an increase in their beneficiary level from 33,500 to 50,000 and to serve 15 locations in 12 districts of the province. They will be requesting the same commodities as they are now distributing, i.e. corn, rice, vegetable oil, beans and peas.

Country: Mozambique

FY1988 ANNUAL BUDGET SUBMISSION

TABLE XI

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

Commodities	Actual FY1986*		Estimated FY1987**		Projected FY1988**	
	\$	MT	\$	MT	\$	MT
-----						
Title I						
-----						
Corn	3.1	30	2.2	21	2.2	21
Rice	2.9	10	2.9	10	2.9	10
Wheat	4.4	35	2.8	22	2.8	22
<b>Total</b>	<b>10.4</b>	<b>75</b>	<b>7.9</b>	<b>53</b>	<b>7.9</b>	<b>53</b>
-----						

Title III

-----  
Will be considered by PL 480 Strategy/Evaluation Study to be  
carried out in June 1986.

-----  
Comment:

\* Includes \$2.5 million for 10,000 MT of corn and 15,000 MT of wheat  
now under negotiations.

\*\* Ocean freight of about \$2.1 million will have to be financed under  
Title I agreement due to lack of foreign exchange.

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TABLE XII

PL 480 TITLE I/III

Country: Mozambique

Supply and Distribution  
(000 Metric Ton)

<u>STOCK SITUATION</u>	<u>MAY 1986-APRIL 1987</u>	<u>ESTIMATED FY 1988</u>
<u>Commodity - Corn</u>		
Beginning stocks	0	0
Production	60	80
Imports		
Non-Concessional	0	0
Concessional (Title I)	21	21
Consumption	411	400
Milling Losses (5%)	4	-
Ending Stocks		
(Food Deficit)Net Supply	(334)	(303)
<u>Commodity - Rice</u>		
Beginning Stocks	0	0
Production	18	30
Imports		
Non-Concessional	0	0
Concessional (Title I)	10	10
Consumption	64	65
Milling Losses (30%)	5	5
Ending Stocks		
(Food Deficit)Net Supply	(41)	(34)
<u>Commodity - Wheat</u>		
Beginning Stocks	0	0
Production	0	0
Imports		
Non-Concessional	0	0
Concessional (Title I)	22	22
Consumption	30	30
Ending Stocks		
(Food Deficit) Net Supply	(61)	(61)

NOTE: These do not represent the total production and requirements statistics of the entire country. This table provides the needs of and the availability to the 3 million urban dwellers and 2 million rural inhabitants negatively impacted by the insurgency and the residual effects of the drought. The remaining 8 million rural Mozambicans are deemed to be self-sufficient, with needs equaling production.

Comment:

The total deficit for corn, rice and wheat totals 439,000 MT for 1986/87. Mozambique is experiencing a tremendous food deficit. Farmers have been fleeing their farms since 1983 when they abandoned their fields completely. Farmers who remain have no incentive to produce any more than for their own household. Surpluses become targets for attacks by insurgents. Food which is produced is often stolen or burned, and rarely enters the official marketing systems. Despite having some available funds, farmers also have trouble obtaining food when they flee to urban areas.

Prevailing economic policies also discourage production of marketable surpluses. Low producer prices provide little incentive for farmers to produce more than subsistence quantities. The metical is significantly overvalued, requiring strict rationing of scarce foreign exchange. These factors basically preclude the importation of consumer goods. There is little farmers can obtain with cash from the sale of commodities, and thus little incentive to market any surplus.

The after-effects of the recent drought persist in many parts of southern Mozambique. Additionally, the reduced levels of rainfall that have limited agricultural production in Matabeleland (southern Zimbabwe) have also reduced subsistence farmer output in pockets of Gaza and Inhambane Provinces, where the capacity of the soils are reduced and seeds are of poor quality.

It needs to be emphasized, however, that this food deficit is primarily structural in nature and cannot be expected to decline significantly until the security situation improves. This is not likely to happen in the near future.

For further details on the magnitude and causes of the food deficit, see HARARE 1942 dated April 3, 1986 and HARARE 2139 dated April 12, 1986.

FY 1988 ANNUAL BUDGET SUBMISSION

TABLE XIII  
PL 480 TITLE II

I. Country : Mozambique

A. Sponsor's Name: World Vision International (WVI)

-- Family Feeding.....Total Recipients: 100,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>Kgs.</u>	<u>Dollars</u>
100,000	Corn	5,000	570
100,000	Rice	1,900	280
100,000	Vegetable Oil	200	158
<b>Total:</b>		<b>6,200</b>	<b>1,008</b>

B. Sponsors's Name : Church World Service/Christian Council of Mozambique (CWS/CCM).

-- Family Feeding.....Total Recipients: 50,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>Kgs.</u>	<u>Dollars</u>
50,000	Corn	2,000	228
50,000	Rice	500	140
50,000	Vegetable Oil	400	316
50,000	Peas	400	124
50,000	Beans	400	210
<b>Total:</b>		<b>3,800</b>	<b>1,018</b>

Comment:

Both Agencies will have Emergency feeding programs through FY 1987 and should be developing regular Title II Programs by FY 1988.

FY 1988 ANNUAL BUDGET SUBMISSION

MOZAMBIQUE PRIVATIZATION PLAN

I. Privatization Strategy

The entire AID program in Mozambique, other than emergency food assistance, is focussed on supporting and encouraging a newly emerging private sector in Mozambique. The Private Sector Rehabilitation (PSR) program, the major bilateral AID program on-going since FY 1984, provides agricultural commodities and equipment to the private agricultural sector in certain targetted regions. Private farmers in these regions have responded to the availability of equipment and inputs with tremendous increases in production and unequaled enthusiasm. Very little equipment and inputs have been available to this sector since independence in 1976. The technical assistance component of the PSR program also is focussed on assisting and expanding the private sector.

The AID privatization strategy in Mozambique is based on experience to date and realistic possibilities for the future. It basically consists of four elements:

- (A) to continue to encourage movement by the Government of the Peoples Republic of Mozambique (GPRM) in setting policies conducive to private sector development and in continued support of the private sector;
- (B) to assist the GPRM in assessing sectors (i.e. construction or transport) to recommend a process for privatization of the parastatals in the sectors;
- (C) to support directly private sector firms through the CIP; to include provision of raw materials for certain firms and continued emphasis on using private firms for importation and distribution of AID-financed commodities.
- (D) to support private sector farmers through continued provision of equipment and inputs.

II. Short-term and Long-term Targets of Opportunity

In a country such as Mozambique where the government has just recently changed some policies in support of a moribund private sector, there are numerous targets of opportunity to support the private sector. The interventions are constrained by the relatively small program and the small AID staff in country. Nonetheless, the AID program will undertake specific activities aimed at the privatization process.

(A) Intervened Firms. Intervened firms, or those firms the GPRM now manages because the owners fled the country following independence, are an excellent target of opportunity. The GPRM is actively trying to sell many of

the intervened firms to private individuals and have sold many in the past year. AID will study the possibilities of (a) using CIP funds for raw materials for those firms recently privatized, especially those manufacturing goods which are is agriculturally related and have a high domestic value-added component; (b) using local currency generations as an incentive, either on a grant or loan basis, to private entrepreneurs interested and able to effectively take over intervened firms but who lack the local currency; and (c) providing technical assistance to the GPRM in packaging and attracting private investors in purchasing the intervened firms.

(B) Use of State Farm Lands. The AID-financed equipment and inputs are providing the means and the incentive for private farmers, both large and small, to utilize large tracts of idle state farm land in the Chokwe and Xai-Xai regions. This trend will continue and, based on evaluations and site-visits, is resulting in the realization by the local government officials of the tremendous potential of the private agricultural sector and the shifting of some local resources away from the state farms and to the private farmers in the region.

(C) Privatization of Construction Industry. Under the technical assistance component of the PSR program, AID is supporting a study by Coopers and Lybrand which will analyze the construction industry throughout the country and make recommendations on a reorganization plan (including privatization) and timeframe. This assistance was at the request of the GPRM and shows their interest in reducing government ownership in sectors where the exodus of Portuguese talent after independence required GPRM assumption of control over abandoned firms.

(D) Support of Private Importers and Distributors. Since the PSR commodity import program began in FY 1984, there has been an increasing percentage of the AID-financed commodities both imported and distributed by private sector firms. This trend is continuing for the FY 1986 CIP and is a significant achievement in a country where parastatals control most of the importation and distribution networks. For the FY 1986 CIP, since there are no general private importers, the GPRM has agreed to use the official parastatals to conduct only the solicitation and award process. However, once the awards are made, if the private firm which distributes the commodities to be imported has the capability to import, it will be allowed to import as well as distribute the commodities. In the future, AID will provide technical assistance to private firms interested in becoming general importers to compete with the parastatals for the general importation of commodities.

In addition, for the FY 1986 program, AID has agreed to sell some of the large trucks imported under the program to private sector transporters. Transport has been identified as a critical constraint in making surplus production effectively available to the urban market. AID is hoping to increase the availability of private agricultural transport and increase competition among transporters, so that farmers get less expensive transport rates and have more choice than the inefficient state transport system.

(E) Long-Term Academic Training. AID will provide long-term academic training to selective future Mozambican leaders in the U.S. so as to reinforce GPRM determination to pursue a private sector strategy.

### III. Timeframe

(A) The FY 1986 CIP includes a substantial amount of AID-financed raw materials for local private companies to manufacture agriculturally related goods. One of these companies is a recently privatized intervened firm. The FY 1987 CIP design will include a more concerted effort at searching for newly privatized firms which could benefit from the importation of raw materials for the firms. As mentioned previously, the FY 1986 CIP will also include the provision of selling large trucks to private transporters. This will initially be done on a pilot basis and, if subsequent studies show that the trucks were used, not exclusively but within acceptable bounds, for marketing of agricultural produce, then future CIPs will also include trucks for private transporters.

(B) The four-phased study on restructuring the construction and building materials industries will start in June, 1986 and last for about one year. AID expects that, if the study is successful in recommending realistic plans and timetables for privatization, the GPRM will request similar studies for other sectors.

(C) A study will be conducted during late FY 1986 or early FY 1987 to develop a strategy and plan for the use of local currency generations. This study will look at ways in which the generations can be used in support of the mission privatization strategy.

(D) The proposed Technical Consultancies and Training project is planned for a FY 1987 start. This project will contain funds to be used for encouraging the on-going privatization process of the government, especially for intervened firms which the GPRM would like to sell to private entrepreneurs. This project will also fund privatization studies of other sectors or industries.

(E) Our on-going CIP will continue to provide needed inputs and equipment for private commercial and family farmers which allow them to utilize more state farm land and to demonstrate the potential of the private agricultural sector.

FY 1988 ANNUAL BUDGET SUBMISSION

AMDP III COUNTRY TRAINING PLAN AND FUNDING REQUEST

This plan is included in the FY 1988 ABS per instructions in STATE 143008 and represents AAO/Mozambique AMDP III country training plan and funding request.

I. Country Training Plan for FY 1987:

Two fundamental tenets of the U.S. strategy in Mozambique have been to support the Mozambican government's initiatives to rehabilitate the private sector and to provide the technical and managerial manpower needs of key public institutions and private enterprises. There is an overwhelming shortage of trained manpower throughout every sector. Manpower training through AMDP and AFGRAD will help address the manpower development needs of the Mozambican private sector and the public entities which encourage the growth of free enterprise.

Undergraduate and graduate education in the United States, or preferably in Portuguese speaking countries such as Brazil or Portugal, is required, as Mozambique has extremely limited training facilities. The priority areas of study for scholarships includes business or public administration and economics, with a secondary priority in agriculture.

There were five candidates nominated and complete packages sent to AAI under the AFGRAD III project so far in FY 1986. An additional thirteen candidates have been nominated by the Government for long-term training, mainly in planning and economics. We expect a total of 15 scholarships from the AFGRAD III project over five years. Because the need is so great and qualified candidates are available, we are requesting an additional two scholarships per year from the AMDP III project for Bachelor degree training averaging 5 years (to include 1 year of language training). We expect that AFGRAD III will pick up the graduate candidates and that AMDP III will be best utilized for undergraduate training. We do not want to get involved with planning and programming short-term training because of staff constraints. The first choice for country of training will be either Brazil or Portugal because of the language and culture similarities. However, each case will be judged on its own merit.

Assuming that the participants are fully funded in their first year of training, the proposed requirement for Mozambique for AMDP III is \$200,000 (5 years times \$20,000/year times 2 participants) from the EHR appropriation account, since the training will be in economics or public administration/planning.

II. Country Training Plan for FY 1988:

Since participant training is such a new intervention in Mozambique, the FY 1988 Country Training Plan, including the training objectives, proposed number of participants and proposed funding levels, is basically the same as the FY 1987 Country Training Plan in I. above. We expect to set up a screening process for finding the best qualified candidates and the potential future leaders within the next year and once that process is instituted we will have a better idea of specific training requirements. Nonetheless, we feel that the requested two participants per year is a minimum requirement for helping to meet the considerable training needs of the country.