EVALUATION

MOZAMBIQUE

PRIVATE SECTOR REHABILITATION II PROGRAM

COMMODITY IMPORT COMPONENT

GRANT NO. 656-K-601A

NOVEMBER/DECEMBER 1986

Evaluators: Lynn Keeys, USAID/Swaziland (Team Leader)
Robert Armstrong, REDSO/ESA
Neal Cohen, USAID/Swaziland
Lynn Dunn, REDSO/ESA
Jose Marques, AAO/Maputo
Fernando Paixao, AAO/Maputo
Columbus Spaine, USAID/Swaziland

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

ABBREVIATIONS

AAO/Maputo	AID Affairs Office, Maputo, Mozambique
AFR/SA	Office for Southern Africa, Bureau for Africa (AID/Washington)
AID	Agency for International Development
AID/FM/PAFD	AID Office of Financial Management, Program Accounting and Finance Division
AID/W	Agency for International Development, Washington, D.C.
CIF	Cost, Insurance and Freight
CIP	Commodity Import Program
DANIDA	Danish International Development Agency
FAO	United Nations Food and Agricultural Organization
FRELIMO	Frente para a Libertacao de Mocambique ("Mozambican Liberation Front"), sole official party in Mozambique
FY	Fiscal Year
GPRM	Government of the People's Republic of Mozambique
IBRD	International Bank for Reconstruction and Development ("World Bank")
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
L/COM	AID Direct Letter of Commitment
MOA	Ministry of Agriculture
M/SER/OP	AID Office of Procurement
MONAP	Mozambique-Nordic Agricultural Program
Mt	Metical (plural: "Meticais")

MT	Metric Tons
PAAD	Program Assistance Approval Document
PAIP	Program Assistance Identification Proposal
PSC	Personal Services Contractor
PSR	Private Sector Rehabilitation Program
RFQ	Request for Quotations
REDSO/ESA	Regional Economic Development Services Office/East and Southern Africa
SIDA	Swedish International Development Agency
UDA	Unidade de Direccao Agricola (Unit of Agricultural Direction)
UNICEF	United Nations International Children's Emergency Fund
USAID/S	United States Agency for International Development, Mission to Swaziland
USG	United States Government

EXECUTIVE SUMMARY

The evaluation of the Commodity Import Program (CIP) component of the Private Sector Rehabilitation (PSR) II Program (656-K-601A) was conducted during October and November 1986.

In general, the objectives of the evaluation were:

1) to assess the impact of the CIP on agricultural production and marketing;

2) to determine the extent to which the CIP has contributed to the development of the private sector, including improvements in the policy environment; and

3) to provide lessons and recommendations for future implementation and management.

A detailed scope of work is attached as Annex A. The evaluation methodology which was based on general AID guidance and specific CIP II PAAD requirements, and team composition are included in Annexes B and C, respectively.

CIP II is the second phase in a four year program which is intended to support the GPRM's policy initiatives to revitalize private sector activities, especially in food production, and to expand its cooperation with western nations. The purpose of the program is to "increase food production and improve its distributions by selling currently unavailable inputs to private sector farmers and traders."

The CIP, authorized for $12 million from the Economic Support Fund in 1985, provided foreign exchange to Mozambique to finance the purchase of critical agricultural commodities, which are currently unavailable in Mozambique, for distribution to the private agricultural sector. These commodities included seeds, fertilizers, farm machines and spare parts, hand tools, oxdrawn equipment, trucks, spare parts and fuel. The target population included private commercial, family, and cooperative farms in Maputo province (especially within the Green Zones), and the districts of Chokwe and Xai Xai in Gaza Province.

6

Also, zinc sheets and raw materials for the manufacture of tires, hoses, irrigation pipes and rubber boots were provided for selected private firms. A complete list of the agricultural commodities purchase under CIP II is included in Annex G.

The CIP continues to be the major supplier of inputs to private farmers (commercial, family and cooperative). Food production in the target areas has increased and has resulted in increased food supplies in the Maputo, Xai Xai and Chokwe markets. Vegetable production by target area farmers increased by 38 percent. New opportunities have been created for novice farmers who have demonstrated their ability to produce.

The commodities were procured, shipped, and distributed with little difficulty, with no diversions, and in a timely manner. The program target group--private sector farmers and traders, received the agricultural supplies and equipment. The target private manufacturing firms, who depended on CIP resources for up to 25 percent of their raw material expenses, received and productively utilized raw material supplies financed by the program. The allocation system has operated effectively, ensuring generally that inputs were available to those who could productively utilize them. There was a slight increase in the use of private traders to distribute goods.

AAO/Maputo has managed the program effectively. The provision of sufficient secretarial support to the Commodity Management Office will lighten the heavy administrative burden and will allow the CIP monitors to spend more time in the field to collect pertinent program data. Periodic visits by an agricultural specialist would assist AAO/Maputo to make technical modifications in the commodity mix, as appropriate, during program implementation.

On the policy side, the GPRM's price liberalization initiatives have resulted in prices which approach the true market value. After price liberalization prices rose enormously, but have subsequently fallen as vegetables produced with CIP inputs have come to market. Prices are considerably higher than under price control; but increased quantities of vegetables have resulted. The GPRM has utilized the surcharge in order to obtain an approximate market-value for AID-financed farm equipment and trucks, and in recognizing its merit has applied it to other high value goods not financed by the CIP. Finally, the GPRM is continuing to redirect resources to the private sector, i.e., the transferral of greater quantities of state-owned farm land to private farmers.

In summary, the CIP has had a significant direct impact on agricultural production, has expanded the role of the private sector relative to the public sector, especially at the producer level, and has encouraged continued progress toward market pricing for inputs and produce. One unforeseen result has been that the CIP's success has influenced other donors to reexamine their state-farm oriented agricultural programs.

The demand and need for agricultural supplies and equipment in the target areas will remain great enough for at least two to three more years to utilize the full resources of the CIP at the current funding level of $10.0 million. Moreover, the CIP inputs can be easily absorbed and productively utilized in other provinces if funding for the program is increased. The private sector retailers will need to play a greater role in the distribution of all agricultural supplies and the infrastructure to support their participation will need to be rehabilitated and expanded.

Based on the evaluation finding, the team offers the following recommendations for future design and implementation of the program:

1. At the current funding level of $10.0 million for CIP IV:

   a. The program should be maintained in the current target geographic areas of Maputo Province, and the areas around Xai Xai and Chokwe in Gaza Province.

   b. Inputs to the Maputo Green Zones should be increased to include greater quantities of seeds and other supplies needed by the family and cooperative sectors.

   c. The mix of seeds should be adjusted to include greater quantities of cereals, cowpeas (in all target areas), and groundnuts (in Gaza Province).

   d. Fuel should be made available to transporters.

   e. Greater quantities of seed, fertilizers and handtools should be distributed by private wholesalers and retailers.

   f. AAO/Maputo should explore providing assistance to joint GPRM/private or private ventures for seed multiplication programs.

2. If the program is increased to $15.0, the team would recommend the following in addition to the above:

   a. Support should be increased to private manufacturing firms who provide agricultural-related inputs to the private sector roofing, boots, utensils should be included in the commodity mix in order to provide incentives to farmers for further production increase.

c. Funds should be provided to assist local private investors to purchase currently state-run or intervened firms which provide agricultural inputs either through direct manufacture, importation, or distribution.

d. Extra equipment (e.g., additional tractors, trucks and sprayers) should be provided to farmers who can produce for export.

3. In the design of the new CIP, Private Sector Support (FY 1988-1991), AAO/Maputo should develop a multi-year program and authorization with annual incremental financing. Prior to annual funding, an evaluation, in lieu of a PAIP, and a PAAD amendment should be prepared to address modifications in the program and progress on policy dialogue.

If the program funding is increased to $18.5 million, the team would recommend the following in addition to the above:

a. AAO/Maputo should investigate through field work the possibility of expanding the program to the Chimoio area of Manica province, which will require initially $3.5 million in order to make a positive impact on production levels.

I. INTRODUCTION

The purpose of this evaluation is to identify and assess the impact of the commodity import program (CIP) component of the second phase of the Private Sector Rehabilitation (PSR) program or PSR II. The Project Assistance Approval Document (PAAD) for PSR II stipulates that an evaluation of the CIP will be conducted 16 months after the signing of the grant agreement in August 1985. The AID Affairs Office in Maputo (AAO/Maputo) scheduled the evaluation and developed a scope of work for an evaluation team:

- to assess the impact and marketing of agricultural production of the CIP-financed agricultural inputs;
- to determine the extent to which the CIP has contributed to the development of the private sector, including improvement in the policy environment; and
- to provide lessons learned and recommendations for future implementation and management.

A detailed scope of work is attached as Annex A. The evaluation methodology and schedule and team composition are attached as Annexes B and C, respectively.

II. PRIVATE SECTOR REHABILITATION PROGRAM BACKGROUND

A. Rationale and Purpose.

The Private Sector Rehabilitation Program was initiated in September 1984 and marked the first development-related effort of the United State and Government of the People's Republic of Mozambique (GPRM). The program is intended to support the GPRM's policy initiatives to revitalize private sector activities, especially in food production, and encourage its expanding cooperation with the West. The program was designed to assist the GPRM to overcome the constraints to supporting private sector farmers. The most salient and overwhelming constraints confronted by the GPRM are the lack of foreign exchange and shortage of trained manpower. The PSR program is helping to alleviate those obstacles through two elements --- a CIP and a technical assistance component --- intended to achieve the following objectives:

- to increase food production and improve its distribution (by selling currently unavailable inputs to private sector farmers and traders); and

- to assist Mozambique to meet critical needs in training and advisory services required for private sector development and increased food production.

B. Commodity Import Program.

Due to the lack of foreign exchange and the low priority accorded private sector agricultural production in Mozambique after independence, few inputs were made available to private farmers and production stagnated. The few agricultural inputs that were available were allocated to state farms. The inability of the state farms to produce the country's food requirements, and other factors --- such as inappropriate economic policies, drought, floods, and insurgency --- created a food crisis situation. The provision of inputs through the CIP attempts to help alleviate Mozambique's immediate food crisis in the Maputo area, while concurrently stimulating the recovery of the private farmer and agricultural production specific target areas in southern Mozambique.

Under the CIP, AID finances the foreign exchange costs of agricultural inputs, machinery, and equipment unavailable on the local market, for distribution to the private sector. Three phases of the commodity import program have been designed: CIP I, authorized in FY 1984 for $6.0 million, has been concluded and evaluated; CIP II, authorized for $12.0 million in FY 1985, is nearing completion and is the subject of this evaluation; and CIP III, authorized for $9.57 million in FY 1986, is now underway. CIP IV, the final phase in the four-year program, is being designed in conjunction with this evaluation.

The priority geographic areas initially identified for assistance were the Green Zones (fertile farm areas) surrounding Maputo city and the Chokwe region along the Limpopo River in Gaza Province. Later, in CIP II, the Xai-Xai district in Gaza Province and drought-affected areas of Gaza and Inhambane Provinces were included. The program also was expanded to include all of Maputo province, emphasizing the Manhica and Marracuene areas. Annex E provides a map with target zones identified.

1. CIP Composition.

The basic composition of the CIP has been essentially the same for CIPs I (FY 1984), II (FY 1985), and III (FY 1986), with only minor modifications. Beginning with CIP I, the commodities have included a variety of agricultural supplies and high-value (capital) equipment, including fertilizer, seeds, farm machines and spare parts, hand tools, oxdrawn equipment, and trucks and spare parts. The composition was adjusted in CIP II to include fuel and some raw materials (specifically zinc sheets, nylon, plastics for irrigation pipes, and natural rubber for inputs to selected private manufacturing firms). Also, a limited amount of seeds, fertilizer, and hand tools were financed for areas in central Mozambique affected by the drought. CIP III added a pilot program to sell 8-ton trucks to private transporters in an effort to improve farm to market transportation. The conclusions and recommendations of this evaluation will provide the basis for determining the amount and mix of commodities for CIP IV.

2.· CIP II AID Program Requirements.

The CIP II Grant Agreement (656-K-601A) was signed on August 27, 1985 for $11 million from the Economic Support Fund; the Agreement was later amended to include $1.0 million which had been planned for the technical assistance component of the PSR Program. The Grant Agreement limits distribution or sale of commodities exclusively to the Mozambican private agricultural sector, defined as private commercial and family farmers and cooperatives. The grant agreement established the standard conditions precedent (CPs) to initial disbursement, and also a condition precedent to provide:

> "evidence that the commercial sale price established for AID-financed tractors, tractor implements, and trucks is in accordance with the Agreement of the Parties on prices established under Section 5.8" (of the Agreement)",

i.e., prices which

> "...reflect the true capital costs of the items and generates a fair return to capital."

All CPs were met will within the ninety day terminal date. The CP for commercial sale price was satisfied by a surcharge mechanism proposed by the GPRM in June 1985 and accepted by AAO/Maputo in Program Implementation Letter No. 4 under CIP I.

III. POLITICAL AND ECONOMIC BACKGROUND

A. Political Background.

Mozambique gained independence in June 1975, after almost five centuries of Portuguese colonial rule. The Front for the Liberation of Mozambique (FRELIMO), which had waged a ten-year guerrilla war against the Portuguese, assumed power as the sole legal party. The GPRM follows the socialist, centrally planned economic model. The party apparatus closely parallels and oversees the governmental structure. FRELIMO's leader, Samora Machel, became President in 1975, serving in that capacity until his death in an airplane crash in October 1986.

At its Fourth Party Congress in 1983, FRELIMO called for greater emphasis on pragmatic policies including private production in industry and agriculture. A concerted effort to expand cooperation with the West also began. Mozambique joined the International Monetary Fund (IMF), the World Bank, and Lome Convention. It encouraged western investment in its economy, through a new foreign investment code and by signing a U.S. Overseas Private Investment Corporation (OPIC) Agreement.

Since independence, the country has been torn by a violent rural insurgency (by the South African-assisted Mozambican National Resistance --- RENAMO) which affects, to varying degrees, all ten provinces. In March 1984, Mozambique and South Africa signed the Nkomati Accord which called on both countries to ensure that their respective territories were not used for hostile actions against the other. This led to an improvement in bilateral relations for a short time.

Relations between the U.S. and Mozambique have improved greatly since 1983. In April 1985, former U.S. Secretary of Defense Melvin Laird led an American trade and investment mission to Maputo. The late President Machel paid an official visit to the U.S. in September 1985 at the invitation of President Reagan. Speaking in Atlanta, Houston, and New York, Machel explained that Mozambique was committed to an independent, non-aligned foreign policy. In April 1986, the Minister of Mineral Resources (now the Minister of Finance) visited Washington to solicit investment and assistance for his sector and signed a technical cooperation agreement with the U.S. Geological Survey.

The new President, Joaquim Chissano had been the country's Foreign Minister since independence, responsible for overseeing a more non-aligned stance and a maturing of relations with the West. He is a moderate, pragmatic nationalist, who has pledged to continue Machel's policies and initiatives.

Mozambique, a member of the Front Line States and the Southern Africa Development Coordination Conference, wields extensive influence in the region. The GPRM was helpful in the Lancaster House Agreement which led to Zimbabwean independence. It also facilitated communications during U.S. initiatives on Namibian independence.

Mozambique is strategically located and endowed with largely untapped economic potential, particularly in agriculture, energy, and minerals. Its transport routes provide vital outlets to the sea for neighboring landlocked states. As a moderating, stabilizing influence in Southern Africa, Mozambique plays a pivotal role as the region attempts to resolve its political and economic problems.

B. Economic Background.

1. Summary.

The macro-economic performance of the Mozambican economy during the 1980s has been exceptionally poor:

- production is falling,
- net official foreign exchange reserves are negative,
- the large deficit in the balance of payments leads to an inability to import necessary goods,
- there is insufficient foreign exchange or exports to service existing debt, let alone contract new debt, for the foreseeable future,
- the currency's purchasing power is a small proportion of its official value,
- the pricing system has little impact on the allocation of scarce commodities,
- excessive credit creation has led to large surpluses in liquidity with high inflation, and
- decision making is top down with a minimum of input from producers or consumers.

As for its problems, they will be larger or smaller --- and Mozambique's future will brighter or not --- depending on the weather, the course of the war, the growing difficulties in South Africa and the government's own efforts at financial and economic reform. Most critical will be the efforts at reform, if only because it will be those efforts which generate and concentrate the internal resources and external support needed to cope with other problems. Many of the elements which will determine Mozambique's future are beyond the ability of the GPRM to influence. Altering only one of the items will be insufficient to turn the economy around; improvement in all is necessary to an improvement in the economy.

2. Background.

As a colony, Mozambique did not develop. There was very little investment in productive capacity or in education as the economy was geared to providing exports to, buying manufactured goods from, and getting most of its skilled and semi-skilled people from Portugal. The infrastructure served to help other countries export their production or meet their energy needs. A major source of foreign exchange was Mozambican workers going to South African and Rhodesian mines and farms. The earnings from transportation services and workers provided most of the foreign exchange to import the food necessary to feed the people (although Mozambique was nearly self-sufficient in basic foods).

At independence, over 90 percent of the Portuguese settlers left, in many cases destroying their farms, slaughtering livestock, or sabotaging their factories. The country lacked skilled manpower to replace them in both their roles in the functioning of the economy and the government. But a program of capital-intensive investment, financed by overseas loans and combined with good weather, led to an expansion in output. In the early 1980s, adverse exogenous developments such as the growing insurgency, the second oil price shock, drought, and, importantly, inappropriate economic policies led to a collapse of the economy.

The directives of the Fourth FRELIMO Congress in 1983 are currently providing the guidelines for the economy. These include:

- allowing market forces greater influence;
- liberalizing prices, foreign investment, labor and mining laws;
- permitting greater operational discretion for enterprises;
- privatizing industrial firms and state farms;
- exporter retention of foreign exchange; and
- termination of the state monopoly on import and export.

The GPRM has begun to implement policy changes, based on these guidelines, which has effected some positive change in economic activity. However, the continuing insurgency, lack of skilled manpower, and weather problems continue to constrain economic progress.

3. Macro-economic Performance.

The value of real non-financial production (Global Social Product) has fallen by 40 percent since 1981. With a population of 14.2 million, increasing by 2.6 percent per year, real non-financial production per capita has fallen to half its 1981 level. There has been an average annual fall in per capita production of 12 percent which leads to a current GDP per capita of $300. This is one of the lowest in Africa. Agricultural production has fallen by a fourth and industrial production by 60 percent. World Bank records do not show any other country with as poor a macro-economic performance.

Merchandise exports, measured in U.S. dollars, have fallen to a third of their 1982 level. While grants from donors increased 130 percent, decreased earnings from transportation services and mine workers, combined with increased repayments of debt incurred just after independence led to a large fall in the amount of foreign exchange available. Imports fell by 40 percent, but this was insufficient to keep the current balance including unrequited official transfers (donor assistance) from remaining very negative. This deficit was $497 million in 1982 and will be an estimated $360 million in 1986.

Net foreign assets are meagre, and could only finance about two weeks of imports. The usual target is to have sufficient foreign exchange to finance three months of imports.

The trade deficit has been financed by foreign borrowing. However, the country now has a debt service ratio (ratio of debt service to earnings from merchandise and service exports) of 267 percent. This compares with debt service ratios in 1983 of 35 percent in Mexico, 32 in Zimbabwe, 31 in Bolivia and 13 in Zambia. A debt ratio is considered dangerous when it is greater than 30 percent. Mozambique's figures are worse that those of any other country monitored by the World Bank. There is not now, and even under optimistic scenarios, will not be, sufficient foreign exchange to meet current debt obligations.

Government spending has been constrained: in real terms, it has fallen by 60 percent since 1982. However, many losses by state enterprises have been financed by credit from the Bank of Mozambique and not from the budget. Because of growing expenditures on defense, real non-defense spending has fallen by two-thirds since 1982. Government revenue had been sufficient to cover current expenditure through 1984. By 1986, however, governmental revenues could only cover 70 percent of the current budget; revenues made no contribution to the investment budget. The rising deficit is now equal to nearly 11 percent of GDP. Compared to other low-income countries in Africa, the level of government spending is about average, but the deficit is very high.

The high deficit has been financed by domestic and international borrowing. The large domestic borrowing has led to an average annual increase in money of 21 percent. Because of the lack of growth in production, Mozambique has faced the problem of greater amounts of money searching for fewer items to purchase. Although inflation has been difficult to measure because of extensive price controls, the GPRM estimates that inflation has been about 30 percent per year since 1982. (The true inflation figure is much higher.) There is now a large overhang of excess liquidity (money in excess of what people want to hold) in the economy which will put additional pressure on prices.

The lack of foreign exchange, and the need to constrain government spending has led to a very low rate of gross fixed capital formation of 9%. This is primarily stock changes and replacement of some existing capital. It is doubtful that there is much new investment. Very few countries in the world are investing so little. The lack of investment means that the country is living off its capital stock and the basis for future growth is lacking. Existing plant is exceptionally old, desperately needs repair, and in many cases is unable to be economically rehabilitated. Without new investment, or rehabilitation of existing equipment, the economy will be unable to maintain even the current low levels of production.

4. Prospects.

Prospects are limited by the insurgency which skews market and productive forces and requires substantial portions of scarce resources to be directed to the war effort. The exceptionally high level of debt and the inability of the country to repay the debt will make it difficult to find the capital for new investment activities. The insurgency will reduce the potential for foreign private investment.

There have been some recent increases in cashew production. Activity in the Beira Corridor has led to a large increase in investment, including some private investment from Zimbabwe. However, South Africa continues to reduce its use of Maputo as an export port. More significantly, South Africa has decided to stop recruitment of new mine workers and to repatriate gradually existing miners; it also plans to expel most Mozambicans illegally working on South African farms. The potential loss in foreign exchange from this employment in South Africa is equal to three times the volume of all current merchandise exports.

Negotiations with the IMF will likely lead to a very large devaluation in the metical, as well as reductions in government employment, spending, and credit availabilities. Further price liberalizations and reductions in the urban food ration system will lead to increases in prices. All of these are difficult for any economy to handle; it will be especially difficult for the war-torn Mozambican economy. Austerity measures will lead to a decline in living standards in an economy already performing at a very low level. It is expected that these reforms will lead eventually to economic recovery and an economy which can provide for the needs of the population.

5. The Target Areas.

The CIP assists farmers in the Maputo Green Zones (an agricultural area surrounding Maputo city), Maputo Province, and the eastern and central parts of Gaza Province (centered around the towns of Chokwe and Xai-Xai). All CIP farmers are in the southern part of the country. (The agricultural breadbasket of the country, currently plagued by intense rural insurgency, is in north and central Mozambique.).

The CIP concentrated on southern Mozambique to provide food for the urban and peri-urban markets of the capital city, Maputo. It also provided support to the Chokwe area, a 25,000 hectare irrigation scheme created by the colonial Portuguese to promote the south's self-sufficiency in rice and vegetables. Export cropping in the South has declined in recent years and is currently limited to bananas, citrus, cotton, sugar, and cashews.

The CIP defines private farmers to include private commercial farmers, family farmers, and cooperatives. Unless otherwise noted, this evaluation will use the term private farmers to refer to all three groups. Family farmers produce primarily for self-consumption and bartering with other family farmers. Private commercial farmers gear their production to commercial sale. Cooperatives tend to produce to satisfy the consumption needs of their members and to supply the commercial market.

Nationally, there are an estimated 7,000 private farmers (one fourth of them in the CIP target areas) who produce 5 percent of agricultural production and 15 percent of agricultural exports. The family farm accounts for 70 percent of production and 20 percent of agricultural exports, with state farms producing 25 percent of output and 65 percent of agricultural exports. Cooperatives are unimportant from a national production perspective, but comprise more than half of the farm area in Maputo Green Zones.

To provide a picture of the demographic and land characteristics of the target areas, AAO/Maputo has collected data from local coordinating authorities and has surveyed the target (private sector) beneficiary pool. The distribution of land and people in the target areas is:

Zone and Sector	Number	Percent of Total	Average Farm (Ha.)	Total Hectares	Percent of Total
Maputo Green Zones					
Private Commercial Farmers	300	2	15	4,500	~~21~~ 37
Family Farmers	~~8,700~~ 12,400	~~46~~ 54	0.5	~~4,300~~ 6,200	~~28~~ 52
Cooperative Members	10,000	~~52~~ 44		~~13,000~~ 1,300	~~59~~ 11
State Farms	0	0	0	0	0
Maputo Province					
Private Commercial Farmers	150	0.2	46	6,900	11
Family Farmers	80,000	97	0.5	40,000	65
Cooperative Members	2,100	3		2,000	3
State Farms	13		1,000	13,000	21
Gaza Province					
Private Commercial Farmers	1,173	1	11	12,738	15
Family Farmers	113,092	96	0.5	56,500	68
Cooperative Members	4,000	3		4,338	5
State Farms	10		1,000	10,000	12

Over the last few years, there has been a reduction in the amount of land farmed by the state in Gaza Province. These areas were redistributed to private commercial, family, and cooperative farms.

A survey of 34 private commercial, family and cooperative farmers, begun in April 1986, has revealed the characteristics of the target groups and areas. Many, but not all, of these farmers received CIP items. The typical (median) farmer was 44 years old with 18 years of farming experience, 5 years of education, and 7 dependents; he had lived in his current district for over 10 years. The survey also showed that there were only one truck and one tractor per 30 hectares, but that almost all the vehicles were over 15 years old. Many required frequent repair and, thus, were not available for full time use. Farmers with less than 5 hectares seldom had a tractor, but most had access to some form of truck. Farmers with over 80 hectares almost always had at least one truck and one tractor albeit old ones. Nearly all the farmers who received CIP items planted more hectares in 1986 than in 1985.

IV. OBSERVATIONS AND FINDINGS

A. Political Impact.

The CIP has reinforced a positive trend in US-GPRM relations and has tangibly demonstrated the U.S. commitment to support the GPRM's drive to development and economic reform. The GPRM has opened the door to U.S. investors pursuing opportunities especially in agriculture, fisheries, and minerals development.

GPRM officials have expressed both public and private appreciation for the CIP, which is viewed as a principal factor accounting for increased supplies of food in the Maputo market and as an example of the GPRM's stated commitment to support the development of the private sector in agriculture. The confluence of the CIP and GPRM policy changes has helped the private sector to demonstrate its worth as a dynamic engine of growth in Mozambique.

B. Policy Dialogue.

The CIP is a policy dialogue. It has demonstrated that sound, market-oriented initiatives and the provision of imported agricultural inputs could revitalize the private farming sector --- allowing it to contribute substantially to the food requirement in Southern Mozambique. The increased production, which proceeded from the CIP inputs, lowered prices in the Maputo market, allowing the GPRM to maintain its policy of price liberalization (even in the face of public calls for revocation). The dynamism demonstrated by the private sector utilizing CIP-financed inputs convinced many in government that resources are employed more productively in non-state farming than in state farming.

The GPRM's policy for private sector agriculture was reaffirmed during evaluation team discussions with the National Director of Agriculture, Dr. Rui Ribeiro, and the Governor of Gaza Province, Mr. Francisco Pateguana. At Chokwe, Dr. Ribeiro stated that Mozambique's:

> "policy is to find a way to increase food output, and we are very willing to support the private sector to accomplish this goal."

In Xai Xai, Governor Pateguana stated that the GPRM had taken a gamble in turning over state farms to private, cooperative, and family sectors, and that it now needed our continued support to increase food production.

Initially, the GPRM displayed considerable doubt about the wisdom of liberalizing fruit and vegetable prices. Due to the availability of CIP-financed seeds, fertilizers, and equipment, the liberalization has resulted in increased quantities of produce and eventual reductions in price. Were it not for the CIP-financed inputs the increase in price could not have yielded a production response. Were it not for decreases in prices --- forced by increased market supply --- the GPRM may have succumbed to urban pressures to reimpose price controls.

The provision of raw materials to some industrial activities which produce for the agricultural sector has demonstrated the viability of these firms and their ability to meet agricultural supply needs. These firms are interested in expanding production to meet other demands. Farmers have indicated that there are a number of items, e.g., rubber boots, bicycles, hand tools, vehicle trailers, plastic boxes and containers, which they would like to purchase again from Mozambican firms. Evaluation team discussions with GPRM officials responsible for light industry indicated a desire to transfer production of some of these items to the private sector.

Policy changes to revitalize the private agricultural sector should go beyond the privatization of production and the handling of output. More of the inputs should be distributed by private firms. The direct allocation method of the government in some of the districts should be reduced. AAO/Maputo could consider providing assistance to firms, either in the process of being privatized, or already privately owned, which produce items needed by the agricultural sector. Contrary to expectations, a number of the firms interviewed by the team or discussed by government officials, admitted an increasing problem with obtaining local currency loans. One possible assistance approach may be to use the local currency generations from the CIP to provide a loan guarantee to be administered by the privately owned Standard Totta Bank. This should be explored by the PAAD design team.

CIP III, now underway, addressed the final sales price issue and the GPRM agreed to a substantial increase in the surtax. This resulted in commodity prices approximating one-half the estimated free market prices that would have otherwise prevailed. While prices of CIP-financed equipment are still below market value, the gap between prices for CIP goods and market prices, where the goods available, has lessened.

Last year, during PAAD preparation, it was estimated that the market price was four to five times the constructed CIP price. This year, discussions with farmers on parallel market sales of used equipment revealed that the "market" price would be approximately twice the current sales price (including surcharge). The change partly reflects the increased supply of these high-value items. Interestingly enough, the Ministry of Agriculture has recognized our policy arguments, as it has applied the CIP-developed surcharges to similar commodities provided to farmers under a French aid program.

Steps to achieve the market value of commodities should continue. However, it may be best to delay further examination of the price issue until after an GPRM/IMF agreement. If a large devaluation of the metical occurs, as is being discussed by the GPRM and IMF, resulting in an exchange rate greater than 120:1, the surcharge should be eliminated. Otherwise, the surcharge should be increased by 20 to 30 percent, made uniform~~ed~~ and applied to all goods imported under the CIP.

The GPRM/IMF structural adjustment program has not yet been finalized, and it is uncertain whether an agreement will conclude before the preparation of the PAAD for CIP IV. AAO/Maputo should continue to express support for the general elements likely to be included in the adjustment program. The CIP has assisted in the dialogue between the IMF and GPRM by demonstrating the viablility of price liberalization and by getting the GPRM to admit through the application of the surcharge that the currency is vastly overvalued. The CIP, by stimulating increased food production in the target areas, will help to mitigate the short term dislocations that will accompany substantial austerity measures. It will increase production for urban markets and will provide inputs for unemployed workers returning to rural areas.

The IMF's goal is to reduce the GPRM's level of spending and the budget deficit. The use of the CIP-generated local currency to reduce the deficit without reducing spending would defeat the purposes of the IMF package of reforms. Thus, AAO/Maputo should not attribute CIP-generated local currency to the national budget. Such generations from CIP-input sales should be utilized in activities directly improving services to private farmers, to the extent that these expenditures are within the IMF-approved budget and credit limits.

C. Complementary Donor Activity.

The CIP complements few international donor activities in the agricultural sector, since most donors are providing most of their support directly to state farms.

In the family sector, the EEC is providing assistance in the district of Moamba, 100 kilometers from Maputo, by furnishing seeds, some equipment, and technical support. FAO and the French Caisse Central also is providing support in other (more northern) regions. UNICEF, while primarily working in well construction, is assisting the family sector in kitchen gardening in the CIP target areas.

In the state farm sector, SIDA and other Nordic countries currently are providing approximately $30 million in country-wide assistance to Mozambique's agriculture sector through a program known as MONAP. The program includes commodity imports of hand tools, seeds, and limited amounts of cultivating equipment. A small amount of assistance is provided to private farms. However, the popularity of AID's program, coupled with apparent implementation difficulties, is reportedly causing MONAP to look again at their approach to delivery, with the intention of shifting a significant portion of its portfolio toward the private sector.

In manufacturing and industry, the World Bank is providing assistance to two firms receiving AID-financed commodities: in 1985, FACOBOL (the irrigation pipe manufacturer) received $800,000 from the World Bank and approximately $300,000 from AID; Mabor (the tractor tire manufacturer) received $2.8 million from the World Bank and $1.0 million from AID. The Danish are rehabilitating small industries in Manica, where CIP-financed inputs are not distributed but where raw materials are not available.

On the importation and distribution side, Interquimica, the parastatal importer of seeds and fertilizer received assistance from a combination of donors --- Japan, SIDA, DANIDA, IFAD, while receiving 20 percent of its resource inflows from the CIP in 1984 and 12 percent in 1985. In the supply of fertilizer, only AID is providing support to the private sector.

Although numerous donors are providing economic support to Mozambique, few are providing inputs to the private sector. Thus, the AID CIP represents the most significant support directed exclusively to that sector. It is likely that the issue of donor coordination related to the private agricultural sector will be addressed at the mini-Consultative Group, planned by the World Bank for mid-1987.

D. Production Response.

Surveys done by the evaluation team, supplementing work already done by the AAO/Maputo field monitors, show that farmers who received CIP equipment increased their cultivated land area by 38 percent. The private farmer beneficiaries attributed the increases in production and income to the CIP. Of the farmers who did not receive CIP inputs, only 2 percent reported increased land planted, with less than a third reporting increases in vegetable production. The increase in production has led to augmented food availability in the urban markets and reductions in vegetable prices.

Interviews with input suppliers indicated that the CIP provides a major percentage, in some instances 100 percent, of the inputs available to private commercial farmers and a significant amount to family farms and cooperatives. All of the foreign exchange available to two private distributors, Tecnica Industrial and Entreposto, for new tractors, trucks, tractor-powered implements, and related spare parts, come from donors. With regard to spare parts for trucks and tractors, the major portion ($250,000 each for Entreposto and Tecnica Industrial) was provided by the CIP.

The pattern is similar for Mabor, which received $1.0 million to import raw materials for the production of tires, and Facobol, which received $300,000 from the CIP for raw materials to manufacture irrigation pipes, water hoses, and rubber boots. These private sector firms indicated that without the CIP they could not have produced.

The situation in the Maputo Green Zones reflects an even greater dependence on the availability of CIP-financed inputs. Mr. Luciano Sumbana, the Director of the Green Zones Authority, indicated that 65 percent of his total funding came from the CIP. The CIP financed 100 percent of the fertilizer and 75 percent of the hand tools.

During an evaluation, it is possible to sample only a few farmers. The PAAD team for CIP III recognized this problem and AAO/Maputo began in April 1986 to survey a broader range of farmers. To date they have sampled 34 farmers, ten of whom purchased CIP trucks, eight received tractors, and five bought motor cultivators. Twelve received only seeds, fertilizers, or hand tools. Six farmers surveyed did not receive any CIP inputs.

It was not possible to get accurate data on the total tonnage or the value of the produce harvested. The most accurate proxy possible is information on the amount of land planted, whether or not they increased production, and to what they attribute the change in their income.

Of those farmers who received equipment there was an increase in the area planted of 38 percent. Nearly 80 percent of these farmers reported an increase in vegetable production, and all who received corn seed reported an increase in corn production. Those six farmers who did not purchase any CIP-financed inputs reported only a 2 percent increase in area cultivated. While one-third of those claimed to have increased vegetable production, none had increased corn production (indeed, one-third reported declines in corn output).

When the farmers were asked the reason for the change in production, those who had received CIP items said it was because of the increased availability of inputs. The improvement in the weather was not considered significant. Those who did not receive CIP items attributed their problems to shortages of seeds and fertilizers.

The evaluation team survey verified the results of the AAO/Maputo farmer survey. In Xai-Xai, a remarkable transformation in agricultural productivity has occurred since March 1985. The evaluation team revisited three areas which had been inspected 21 month ago by a PAAD design team. At that time, the land had just been reallocated to private commercial, cooperative, and family farmers. The land was not under cultivation, irrigation canals were overgrown, and the area was generally unused. Today, almost all the land has been put under cultivation, and people are farming large areas which had been out of production for many years. A number of factors have contributed to this transformation: the hard work of private farmers, good weather, the GPRM's land redistribution to the private sector, and price liberalization. However, the equation would not have equalled success without the CIP-financed agricultural inputs.

A similar pattern continues in Chokwe. The GPRM is making more land available to the private sector, and CIP inputs continue to be used effectively. Chokwe Director Joao Mosca indicated during evaluation interviews, that official marketed production in the Chokwe area increased from 55,000 MT in 1984/85 to 75,000 in 1985/86. This production included 42,000 MT of rice, 8,000 of maize, and the balance consisting of vegetable crops (primarily tomatoes, cabbage, potatoes and onions). He estimates this year's production at 90-100,000 MT. The output from the family and private sectors continues to expand. At present in Chokwe, the family sector produces 80 percent of the maize, while the private sector accounts for 65 percent of the vegetable production and 40 percent of the rice output.

The evaluation team noted that increases in production were spread across all types of farms who received inputs from the CIP. All the farmers we interviewed had improved their production substantially in 1986 and expected 1987 to be even better. They said they were producing more because of the increased availability of inputs and the higher prices they were getting for their output. One family farmer with only 1.5 hectares reported being able to sell surplus tomatoes for 250,000 meticais and had the first increase in his living standards in recent years.

1. Food Availability in the Market.

The increase in farmer production has led to an increase in produce available in the markets and a lowering of price. CIP provided trucks are transporting an increasing amount of the produce.

AAO/Maputo has been monitoring price and quantity behavior in the Maputo Central Market. This is one of ten markets in Maputo city and serves approximately 100,000 people out of a total city population of one million. The sources of food in Maputo include: one's own family farm; directly from farmers (outside the family); stores selling the state subsidized rations; consumer cooperatives; the open, public market; and clandestine, black market ("candonga") outlets.

There was opposition within the GPRM and FRELIMO party hierarchy to freeing prices of fruits and vegetables. After the May 1985 liberalization, prices increased substantially. To some extent, this was simply legalizing the existing parallel market vegetable prices. By April 1986, prices had not fallen, and radio talk shows and press articles asserted that price controls should be reimposed. As additional production reached the market, prices began to fall in June.

The available data on the amount of food in the market is grossly inaccurate and difficult to compare because of incomplete coverage. Newspapers have been reporting increased availabilities of food, even during the "hot" months when vegetables are not normally grown. The public market managers claim that much more food is available, is of a higher quality than had been the case in previous years, and costs much less than last year.

2. Market Pricing.

Comparison of prices which AAO/Maputo has been collecting weekly since April 1986 can be deceptive. Vegetable prices are seasonal and cannot be expected to always fall. We lack data for prices and quantities available a year ago to get around some of the problems of seasonality. Produce prices will appear absurdly high if converted at the official exchange rate of 40:1. For purposes of analysis, prices indicated below should be converted using the purchasing power parity rate of 600:1.

17

Alternatively, prices can be compared to the monthly income. The poor in Maputo earn up to 6,000 meticais a month. The prices of vegetable, indicated below, obviously precluded purchase by the poor early in 1986. With increased availability and declining prices, the poor now may be able to afford to eat small quantities of vegetables. Although produce still consumes a substantial amount of the monthly salary, the base of the poor's diet is secured at the much lower costs of heavily-subsidized, government-rationed food stuffs.

The dietary staple is cassava. The CIP did not provide any cassava. Cassava prices have not changed much since April, remaining in the 150 to 200 meticais range per kilogram. The lack of movement in prices, in spite of slight increases in the quantity marketed, reflects the relative unimportance of the market as a source of supply. Most people get cassava from their family farm or in direct dealings with a grower. The survey notes that market supply of cassava is decreasingly coming from private commercial farmers and increasingly from family farmers. The increase in prices for vegetables led commercial farmers to switch from cassava to vegetables.

Kale prices fell from 400 meticais per kilogram in April to 100 in August 1986. Since then, prices have risen to 200, reflecting normal seasonality. Interviews at the Central Market in Maputo revealed an increase in the quantity of kale currently available, compared to December 1985. Cabbage prices also have fallen from 650 meticais per kilogram to 100 in September. There is some slight increase in the last two months, but only to 150 meticais. This is probably normal seasonality. Lettuce has experienced a similar trend.

Banana prices have been erratic, but generally decreased through October from 350 meticais per kilogram to 250. Since then prices have risen to around 325. Larger decreases in banana prices had been expected due to the increases in quantity. However, it appears that the demand for bananas remains high, thereby reducing the downward pressure on prices.

Carrot prices have been falling throughout the period. In April, a kilogram cost 1,000 meticais; by August, the price stood at 450; and in November, carrots sold for 250 meticais.

Onions are used frequently as an indicator of market performance by many people. Last year, they had been purchased from South Africa and sold at 1,000 meticais per kilogram. Since domestic production began, prices have fallen: to the 700 range in August and the 200 range in November.

Tomatoes are another indicator of market performance. They were 900 meticais per kilogram in April, falling to 150 by July. The price has increased somewhat since October, with tomatoes selling for 175 meticais per kilogram in November.

Quantity supplied to the market increased three-fold between April and July which led to major declines in prices, across the board. The survey indicates the major source of supply for vegetables is private farmers in the Maputo Green Zones. As these farmers report that 90 percent of their inputs come from the CIP and the reason for their improved production is CIP inputs, it can be assumed that the CIP is the reason for the increased supply of vegetables in Maputo.

The AAO/Maputo survey notes that there has been an increased use of private transporters for bananas, carrots, green beans, kale, onions, pineapples, and tomatoes. The survey also notes an increasing proportion of vegetables being delivered in CIP-financed trucks. The increase in the number of transporters has contributed to reducing the cost of transport which has lowered prices in the markets and increased the prices received by farmers. Previously, the transporters made the bulk of the profits from the high prices.

Of all the seeds being supplied by the CIP, only the output prices of corn and potatoes are controlled. These items are important for the basic diet of farmers but, for the most part, are not marketed through official channels because of low controlled prices. They are consumed by the producers, used to pay labor on private farms, or bartered with neighbors. Although not marketed, they are still very important. As the CIP is providing these inputs, AAO/Maputo should attempt to have these prices liberalized, such that production may respond to actual scarcity values. Price liberalization will result in more of these items appearing in the market, but at a higher price.

E. Commodity Mix.

1. Appropriateness.

The evaluation team found that most farmers and private firms thought the type and mix of commodities were appropriate. Most indicated that they could increase output significantly if they had greater quantities of inputs. The table below compares the proportions of commodities financed under CIP I, II and III.

Breakdown of CIP-Financed Commodities

commodity	CIP I % of total	CIP II % of total	CIP III % of total
fertilizer	24.0	19.5	16.7
seeds	18.1	16.3	13.2
trucks	6.9	11.3	14.3
raw materials	0.0	11.1	22.5
diesel	0.0	8.6	9.4
tractors	9.4	7.4	8.1
hand tools	6.6	5.7	0.0
irrigation equip.	6.7	4.3	5.2
spare parts	12.2	4.3	6.9
oxen implements	1.1	2.3	0.0
other implements	7.8	2.2	0.6
tractor implements	5.4	2.1	1.2
motorcultivators	1.8	0.0	1.8

However, as more products become available the consumers are starting to question the mix. Interviews with farmers and private manufacturing firms revealed refined or new requirements in addition to the commodities currently being provided:

-- The specification for pumpkin seeds should be changed to a variety which produces edible leaves, an important food source.

-- The Director of the Green Zones noted the requirement for greater cowpea, soy bean, and groundnut seeds for the family sector.

-- Farmers requested more rubber boots, knapsack sprayers, protective clothing (such as face masks), insecticides, herbicide, zinc sheets, plastic and rubber implements (buckets, hoses), truck or tractor trailers, and household pots and pans.

-- Family farms tend to require more implements for animal traction, the method most frequently utilized on small family plots. However, there are still approximately 2,500 units to be sold that were financed by AID. In addition, there are implements available from other donor sources, and a local factory, with the support from SIDA, now is able to fabricate enough implements to satisfy domestic requirements.

-- Raw materials, spares and equipment are needed for private manufacturing firms which lack foreign exchange and have the capacity to manufacture many of the items listed above.

Fuel was not purchased by the CIP II for use by transporters. CIP III now is providing diesel for private transporters who receive CIP-financed trucks.

Each year the commodity mix has been adjusted to meet changing needs, input availabilities and timing problems, as knowledge of the target areas has increased. CIP II added diesel to the commodity mix as it did not make sense to bring in tractors without supplying diesel which was in very short supply. For the same reason raw materials, primarily for tire manufacturing was added. The importance of the ability to transport produce to market had not been adequately recognized in CIP I and thus subsequent CIPs increased the number of trucks. For CIP III, government and private stores were unable to sell oxen equipment and thus it was removed from the list. There was a surplus of hand tools available after CIP II and thus none were ordered in CIP III. There is no longer a surplus of hand tools and it will be necessary to include them in CIP IV. These changes indicated in the above table demonstrate the flexibility of the CIP to respond to changing circumstances. However, the AAO/Maputo CIP field monitors should become more involved in determining commodity mix since their field work provides valuable on-site knowledge on the appropriateness of the commodities financed by the program.

A breakdown of the regional distribution of commodities (Annex G) suggests that the mix and amount of commodities matched the needs in the target areas, with few exceptions. If we include the estimated number and distribution of items in CIP III, then the first three CIPs brought in 246 tractors. Nearly half went to Chokwe with about a quarter going to Xai Xai and another quarter to Maputo Green Zones and Maputo Province combined. Of the 1,623 private commercial farmers in the target areas, 42% are in Chokwe, 30% in Xai Xai and the remainder in Maputo Province and Green Zones. In terms of hecterage 21% of the land cultivated by private commercial farmers is in Chokwe, 31% in Xai Xai and nearly half in Maputo Province and Green Zones. Thus the distribution of tractors closely approximates the number of farmers, but is biased towards Chokwe and away from Maputo based on hecterage. The evaluation team observed that Chokwe needs less tractors in the future than Maputo Province/Green Zones or Xai Xai. Over 80% of the motor cultivators are going to Maputo which is where most of the small commercial farms and associations of family farmers who can use them are located.

The distribution of trucks is 29% each to Chokwe and Xai Xai with 42% to Maputo Province/Green Zones. Truck needs probably closely approximate the hecterage under cultivation. This implies that Chokwe has received more than its share and Maputo less. CIP I had 90% of its trucks going to Chokwe. Subsequent CIPs have redressed the imbalance and if CIP IV has approximately the same distribution as CIP III, then the distribution of CIP trucks will be within three percentage points of the distribution of private farm hectares.

At present it is an AAO/Maputo and GPRM decision as to which private firms receive raw materials. The evaluation team learned of a number of other private firms who are able to produce items needed by farmers such as rubber boots, buckets, roofing material, trailers and bicycles. AAO/Maputo should consider making a sum of money available for importation of raw materials for private firms to produce items needed in agriculture. As part of their application the firms should indicate what they need, how they will use it and provide pro forma invoices. This would enable AAO and the GPRM know more about the potential for private sector expansion and reduce, although not eliminate, government decision making.

For the most part seed distribution proceeded well. However, 80 percent of the garlic seeds were allocated to a single farmer whom the GPRM felt could generate sufficient seeds to make the program self supporting. Late arrival of seeds and inadequate labor and other inputs led to a crop failure. The Ministry of Agriculture and AAO/Maputo need to be better informed on the distribution and to avoid such situations. Wide dissemination of the seeds needs to be balanced against the need to begin to provide seeds from local sources to make the program self-sustaining.

Nearly $7 million is needed each year just to continue to support farmers who have received CIP equipment or seeds. In CIP III recurrent items accounted for nearly 70% of total spending. The evaluation team estimates that every $1 million of new capital equipment requires $100,000 in recurrent items to support the additional number of hectares that can be farmed commercially. This implies that in CIP IV the minimum program that would not entail reductions in inputs to farmers currently being supported is $7.2 million. If the program continues at a $10 million level then there will be decreasing amounts of money available for capital items because of this built in increase in recurrent needs.

The program will need to continue to provide quick response to the changing agricultural supply situation in the target areas. Flexibility is needed to address changes which occur between the authorization stage of the program and the actual procurement of commodities. This will require increased surveillance and data gathering by the CIP field monitors. Due to the implications of changes to the commodity mix for agricultural productions, an Agricultural Development Officer should assist AAO/Maputo on a regular or on-call basis, to provide technical advice on program changes.

2. Allocation of Resources.

The evaluation findings indicate that the private sector exclusively were the end-users of the inputs financed by the CIP. The commodities were allocated to a cross-section of private commercial, family and cooperative farmers and to private manufacturing firms.

Allocation Process: The GPRM allocates equipment (trucks, tractors, motorcultivators) to the target areas in consultation with the regional Unidade Direccao Agricuol (UDA) or Unit of Agricultural Direction. The UDA estimates its commodity needs (including seeds, fertilizer, handtools, etc.) based on the annual plans that farmers submit indicating their production estimates and required inputs. The central government adjusts the estimates for equipment and allocates to the target areas based on the amount of equipment available and the demand in all the target areas, given that the supply is not adequate to meet the demand. The regional UDA then decides which farmers can purchase equipment based on the farmers' annual plan, past productivity, and the technical capacity to manage the equipment. In an effort to make scarce resources available to farmers to the maximum extent possible, the UDAs encourage the formation of farmer associations for the purchase of equipment by small farmers. In some areas, the UDA may require the owner of the equipment to lease trucks or tractors to other farmers in the area at a set tariff to assist in cultivation and in transporting produce to the market.

Given the scarcity of resources available, the allocation system has functioned in a satisfactory manner. The equipment is being used effectively and is not allocated on political or non-economic grounds. In an effort to make agricultural equipment available to any and all who wish it, the GPRM in a few case is failing to make available on a continuing basis inputs to those who can best maximize food production.

Since the purpose of the CIP is to create a strong private sector, which implies a "broad based" private sector, equity should be considered in the allocation of commodities. Opportunities should not be precluded for farmers who exhibit the potential. The team interviewed one young farmer in Chibuto, Xai-Xai District who, recognizing the opportunities in farming, gave up a retail business to take over operation of his grandparents' farm. Although new to farming, this farmer operated at level of technology comparable to other experienced farmers with similar resources. Also, a farmer who receives equipment one year should not be excluded from receiving equipment subsequent years. The allocation process should continue to emphasize the distribution of scarce resources to those producers who can maximize production.

<u>Beneficiaries</u>

Those accruing the greatest benefit from the receipt of the goods available through the CIP are:

1. private farmers who received a broad complement of seeds, fertilizers, farm machinery and trucks;

2. family farms and cooperatives who received mainly seeds, fertilizers and handtools;
3. private manufacturers who received raw materials for productions;and
4. government parastatals which import and distribute inputs to the private sector.

In the majority of cases, AID-financed commodities comprised a large percentage, if not the total, inputs to these entities.

Farmers: A survey of 34 farmers in the target areas showed that a cross section of farmers received agricultural equipment and machinery based upon need and the capacity to utilize. Approximately, 70 percent of all farmers in the target areas received seeds, fertilizer, and hand tools. The proportion receiving these inputs, however, vary by farm group. Ninety to 100 percent of the 1623 commerical farmers received CIP inputs; 70 percent of the 16,100 cooperative farms; and 40 percent of the 201,792 family farms. Family farms received all the oxdrawn implements.

Sixteen percent of the commercial farmers in Maputo Province and 15 percent in Gaza Province received tractors. These farms averaged 290 hectares. These farmers are the most experienced, averaging 18 years of experience, and employ the most labor, 46 people per farm. They had the largest increase in cultivated land devoted to vegetable production, with increases in land from a total of 50 to 70 hectares. Family farmers did not receive tractors since the farm area is too small to productively utilize the equipment.

One-tenth of one percent of the family farms in Maputo Province received motorcultivators. This percentage is small because the number of family farms dwarf the amount of motorcultivators available under the program. The family farms which received motorcultivators averaged 15 hectares, although the average size for family farms in general is 0.5 hectares. These farmers had an average of 12 years of farming experience, the fewest workers, and the largest families. There is no evidence that motorcultivators are going to the very small farms, which average 0.5 hectares and theoretically cannot utilize the equipment effectively. Only 0.01 percent of family farms in Gaza Province received motorcultivators.

Twenty percent of the commercial farmers in Maputo Province and 11 percent of the commercial farmers in Gaza Province received trucks. The farm sizes averaged 72 hectares and the farmers tended to have less farming experience than farmers receiving tractors. The trucks appeared to be for general transport since these farmers did not increase the amount of cultivated land. A field analysis of the use of the trucks indicates that they are being rented to neighbors to transport produce or to deliver inputs.

Manufacturers and Distributors: Private manufacturing firms received all the raw materials financed by the CIP and private retailers were able to distribute a small portion of supplies. Mabor, the manufacturer of tires, received $1.0 million of nylon, Facobol received $300,000 of rubber and plastic for the manufacture of rubber boots, plastic hoses and irrigation pipes. Entreposto, a private retailer of Massey Ferguson and Mercedes Benz trucks, tractors, and spare parts, received $250,000 worth of spare parts, and Tecnica Industrial, a Ford products distributor, received $250,000 for spare parts. Once supplies arrive at Maputo, Dimac will receive $575,000 of zinc sheets and screws for the manufacture of roofs. Evaluation team discussions with private manufacturers and suppliers revealed that greater quantities of raw materials can be utilized and that retailers have the capacity to play a greater role in the distribution of agricultural supplies and equipment.

3. Equipment Pricing.

The application of a surcharge on tractors, tractor implements, motorcultivators and trucks has resulted in equipment sale prices at approximately one-half the estimated free market value. Although this is an improvement from the one-fifth of the market value prices under CIP I, AAO/Maputo should attempt to increase the prices of equipment financed by CIP IV by 20-30 percent. The surcharge should apply to all items imported under the CIP, including seeds and fertilizer, and not just capital items. This would consider the continuing overvaluation of the metical and an estimated inflation in 1986 of 30 percent. If the IMF negotiated devaluation results in an exchange rate in excess of 120:1, then the surcharge should be eliminated.

CIP I encountered a wide disparity between the parallel market value of the metical and the official rate. To begin to correct this AAO negotiated with the GPRM the surcharge system which increases the final selling price by an agreed percentage. Initially these were 65 percent for 3 ton trucks, 60 percent for 8 ton trucks and 25 percent for tractors and motor cultivators. In CIP III these percentages were simplified and increased. Those items imported under CIP II which had not yet been received were subject to the new surcharge rates. The surcharges were increased to 150 percent on all trucks, tractor implements, and irrigation pumps, and to 100 percent on tractors. The remaining items do not have any surcharge.

The effect of the current surcharge is to raise the effective exchange rate for the U.S. dollar from 40:1 to 80-100:1. Part of the argument for a surcharge is to improve the efficient use of resources. According to economic theory, the higher the price the more likely the item will be used effectively. Alternatively, lower prices encourage wasteful uses. Unless there is an argument developed for specifically subsidizing specific farmers, the price of CIP equipment should reflect a fair return to capital and the market value. Such an argument has not been developed by AAO/Maputo.

Equity was the major consideration in excluding all small items from the surcharge. However, this results in a misallocation, and excessive use of scarce foreign exchange. It assumes that the international price structure is incorrect and prices for tractors and trucks should be more expensive relative to seeds and fertilizers than the international market justifies. There has been no proof provided to substantiate this argument. If the aim is to correct for currency overvaluation than all prices of CIP commodities should be increased the same percentage.

In the design of the PAAD for CIP III AID/Washington instructed that the prices of capital equipment should approximate at least half the free market value. The estimate was achieved through interviewing end users as to what they were paying for used equipment, for rehabilitated equipment, and what they guessed was the value of new equipment. People who had not yet received any capital items and did not know the price guessed at its price. This evaluation performed this exercise again and found that current prices of capital items approximate half the fair market price.

Discussions with the IMF indicate the likelihood of a devaluation to 160-200:1 and periodic quarterly devaluations to move towards the true value of the metical. The USAID regional economist did a comparison of prices in Maputo city and the rural areas with prices in Swaziland and South Africa. Such a comparison of prices leads to an estimate of the purchasing power of the metical in the areas surveyed. The June comparison led to a conclusion that the purchasing power of the metical in urban areas was 800:1 and in rural areas 600:1. The lower rate in rural areas reflects the greater availability of rands from returning mine workers and the reduced demand for foreign exchange.

In later November the evaluation team reestimated the purchasing power of the metical. The urban purchasing power had fallen to 600:1 and the rural to 450:1. The major explanator of the change is the decrease in the prices of market vegetables plus increased availability of locally produced consumer items in rural stores.

There has been a tendency in Mozambique, as in other socialist countries, to try to keep prices constant. Because of the massive overvaluation of the metical further adjustments in prices are necessary. In addition, frequent reassessment of prices is likely to lead to more accurate prices. The IMF estimates that in 1987 consumer prices will increase by 30 percent. However, inflation in manufactured goods in OECD countries is unlikely to be more than 5 percent. Under the existing formula the new prices for CIP-financed items will automatically reflect increases in tendered prices and thus the OECD inflation. But prices will not reflect local inflation.

Due to (a) the large difference between the de facto CIP exchange rate and the purchasing power of the metical, (b) the benefits of frequent small changes in prices and (c) inflation in Mozambique, AAO should work to achieve a uniform surcharge on all items and that surcharge should be at least 180 percent

(20 percent above the current maximum of 150 percent). This implies a de facto exchange rate of 120:1. If the IMF negotiations result in an official exchange rate in excess of this, then the justification for the surcharge is eliminated.

4. Windfall Profits.

Large windfall profits are associated with the CIP. This is not surprising, since the economy has been starved for capital equipment and agricultural inputs. Since the CIP could not provide enough of these item to meet market demand, those who received the commodities were able to receive higher prices for their produce. The evaluation team notes the decline in the size of windfall profits as greater quantities of equipment and inputs are available to greater numbers of people.

Any discussion of windfall profits must proceed from a clear definition. Technically a windfall profit (a) is a profit in excess of that which is necessary to maintain production; (b) arises because of an unanticipated change in the economic climate and (c) exists only when a limited number of people can take advantage of the change.

Importers and distributors handling CIP-financed goods could not make any windfall profits because the GPRM currently has fixed percentage markups on these items. Those farmers and transporters who received CIP-financed commodities benefited significantly from the receipt and reaped a windfall profit. The farmers in Maputo Green Zones who received the first seeds were able to sell the produce in the market at exceptionally high prices; those people who received trucks in the initial batches benefited because they did not have to pay more to the farmers but could get higher prices in the market. Another group who had windfall profits were the market retailers. They received higher prices for produce and were selling more.

In all cases the size of the windfalls are decreasing as more resources become available.

The evaluation team and the AAO/Maputo field monitors only know of one piece of major equipment which was diverted from its initial buyer or area. This was a 3-ton truck for use in farming and transporting in the Maputo Green Zones. It was transferred to Inhambane and kept by the original buyer. The government is attempting to recover the vehicle. It might appear unusual that more vehicles have not been diverted, or taken to South Africa for sale into hard currency. Since it would not be difficult to move a vehicle across a border the farmers must view the net present value of their expected income stream in Mozambique as greater than that of selling the items outside the country. The remaining farmers may expect that the increased supply of inputs and government policy changes can lead to acceptable life styles in Mozambique. If the situation changes significantly for the worse then there may be vehicle diversion.

5. Saturation Issue.

A simple economic definition of saturation in the context of a country without a correctly functioning price system is that the net benefits per unit of scarce resource would be higher if employed elsewhere or if spent on a different item. Net benefits are the benefits that accrue after the increased costs of adding another district or item to the CIP are subtracted.

In Mozambique we cannot define saturation as having completely satisfied the need for the item. The demand for an item depends on the price of the item and the prices of alternative items that can serve as substitutes. The alternatives are not available in Mozambique and a free market price does not exist for inputs. If we had a market determined price for the equipment then saturation would not be an issue. Because we do not know the price we must use the definition previously given.

Through CIP III AID will have provided tractors to 16 percent of the private farmers in Maputo Province/Green Zones and 15 percent of the private farmers in Chokwe/Xai Xai. We will have provided 20 percent of the private commercial farmers with trucks in Maputo and 11 percent of them with trucks in Chokwe/Xai Xai. The average size of commercial farm in Maputo is 25 hectares; in Chokwe/Xai Xai it is 11 hectares, with most this irrigated. While many farmers do not need or want a truck or tractor the figures do not suggest we are at the saturation point.

The evaluation team estimates, using the marginal definition of saturation, and assuming that equipment will continue to be purchased for each area at the same rate as in CIP III, that Chokwe and the Green Zones will need capital equipment for up to two more years. Since the CIP is just beginning in Xai Xai it is more difficult to determine the effective demand for equipment. However, we estimate that up to three more years of capital equipment will be needed. Maputo Province has many large farms and the CIP has just begun to meet a small portion of the needs. The team is unable to estimate how much more equipment is needed since security problems limited the team's ability to gather field data.

Moving into a new district has high startup costs as, in addition to new capital equipment, a minimum of seeds, fertilizers and petroleum products are needed. Recurrent costs still have to be met in the "old" districts until the inputs are produced in Mozambique or the farmers generate the foreign exchange to purchase their inputs themselves.

The evaluation team has heard considerable arguments about the benefits of providing resources around Chimoio in Manica Province. This was one of the most productive parts of the country and has a long history of private sector orientation. Increased food production, which the CIP could encourage, would reduce the costs to other people working to improve the operation of the Beira Corridor which runs through Chimoio.

The expansion of the program to a new district is limited by the continuing needs in the existing districts for resources and the hopes and expectations the CIP has developed in the target areas. The infrastructure already exists in these areas which permits resources to be distributed rapidly and used effectively. There are as yet no signs that people are being allocated equipment who are unable to use it productively. There are still many very good farmers, with the land, the knowledge and the management skills to use the resources. While considerable equipment has been provided through the CIP, it must be remembered that the private sector has not received inputs for nearly eleven years. There is significant pent-up demand which will take considerable time to meet.

The saturation process should be watched closely by the CIP field monitors. These monitors have been able to provide important data on the history and developments within the target areas. The evaluation team notes the good work done by them, and hopes that the newly acquired 4-wheel drive vehicle will permit more time to be spent in the field. The AAO should encourage and support increased field work and greater participation of the monitors in analyzing the impact of the CIP and informing the AAO of changes in the needs of farmers in the target areas.

F. Private Sector Participation.

Private sector participation in the target areas has increased, as demonstrated by their expanded use in the importation, retailing and production of agricultural inputs.

The pattern of input supply and industrial production has been evolving slowly since CIP I from state controlled to some private sector participation. The approach taken by the GPRM to increased private sector agricultural production has been to make inputs available primarily through the state-owned distribution entities. Two private firms imported and distributed tractor and truck spare parts. With the exception of one private retailer, Manuel Nune Company, in the Xai Xai area of Gaza Province, all distribution of seeds, fertilizers, and tools was done by the GPRM. However, within the last few months, the GPRM has sold to the private sector seven of eleven branches of Boror, the parastatal distributor of fertilizer and seeds, and has signed a contract with Manuel Nunes Co., a private retailer of the CIP-imported handtools. Both cases indicate the increasing willingness of the GPRM to permit the development of the private sector agricultural input supply system to serve the private sector farmer.

The CIP has played a major role in stimulating private sector activity in the agricultural sector. Interviews with all input suppliers indicated that the CIP provides a major percentage, in many instances 100 percent, of all of the inputs available to the private commercial farmers and a significant amount to family farms and cooperatives. All of the foreign exchange available to two private equipment suppliers, Tecnica Industrial and Entreposto, for spare parts for tractors and trucks come from donor sources. The CIP financed $250,000 worth of spare parts for tractors and trucks for Entreposto, and $250,000 for spare parts for Tecnica Industrial. The pattern is similar for Mabor, which received $1.0 million to import raw materials for the production of tires and Facobol which received $300,000 from the CIP for raw materials to manufacture irrigation pipes, water hoses, and rubber boots. Ima, the manufacturer of sheet metal roofing, received $575,000 for zinc sheets and nails. Annex G provides a listing of raw materials and commodities financed by CIP II.

The availability of CIP-financed fertilizer has stimulated increased private agricultural production. The manager of Interquimica, the parastatal importer of fertilizer, said that the total supply of fertilizer for the country last year was 10,000 metric tons: 5,000 of urea from Japan for the state farms and the 5,000-ton mixed shipment of urea and NPK from the CIP for the private sector.

Overall, CIP II has had a positive effect on the growth of the private input supply and industrial sector. As inventories of inputs increase to meet the demands of increasing numbers of private sector producers, the distribution system will have to expand. This will require the reestablishment and expansion of the private sector input retailing system as well as the development of the new systems which are emerging, particularly in the Maputo Green Zones which serves a large number of family farms. The distribution system will require increasing management and infrastructure support to ensure the availability of inputs to the agricultural sector.

G. Replicability and Sustainability.

1. Replicability.

The CIP mechanism in Mozambique is exceptionally simple. Discussions with government officials and private firms that supply many of the inputs indicate that the knowledge base exists in Chimoio in Manica province to support program expansion without any serious problems. There are distributors, vehicle repair places and adequate infrastructure to support successful program duplication.

One problem with replicability is that the paper work might overwhelm the staff in AAO/Maputo. AAO/Maputo should explore the possibility and potential of firms that need the inputs, like plastics, zinc sheets and tires, to do more of the tendering and ordering. AAO/Maputo then could assume more of an oversight role. If the program is expanded to permit support for additional private sector firms supplying inputs to agricultural areas, then it will be necessary for AAO/Maputo to modify its tendering and procurement approach.

2. Sustainability.

Were the U.S. to end the CIP there would be no foreign exchange available to continue to import needed supplies for private farmers. This is not the type of CIP which can be ended, or drastically reduced, at any time without serious consequences to program objectives. Due to the nature of the problems in Mozambique increased attention must be paid to having private farmers generate foreign exchange needed to import raw materials. The evaluation team recommends that if the funding for the CIP is increased that some additional funds be directed to supplying inputs to farmers able to export.

Attempts immediately following independence to develop Mozambique using capital intensive production techniques were financed through accumulating foreign debt. The lack of adequate management capabilities, the growing insurgency, weather difficulties and economic policies that did not lead to economic development meant that these investments did not increase production or exports. Thus Mozambique contracted a large debt, but was not able to generate the means to repay the debt.

Since 1980, increases in defense spending combined with deteriorating economic performance has meant that government spending is rising faster than revenue. The government does not have the funds or foreign exchange to provide recurrent support investments already made, let alone provide funds for new investments.

The IMF estimates the debt service ratio in 1986 at 267%. This is the highest ratio of any of the countries reported in World Bank debt publications. In 1986 tax revenue, 6.9% of GDP, was the lowest in Africa. It compares to an average of 11.2% for all low income sub-Saharan countries. The overall deficit is 8.7% of GDP, compared to an average of 5.9 percent, is one of the worst on the continent.

Whether the CIP can sustain itself must be answered in light of the private sector's ability to generate the foreign exchange to purchase needed imports and to operate without the need for government funds. It has already been shown that the farmers receiving CIP inputs are able to increase their production substantially and almost all have increased their income. They have the funds to purchase, without any government subsidy, all the inputs they need ... so long as they can purchase in meticais.

At present the farmers are not generating any foreign exchange. Were U.S. assistance ended the farmers in the program would not be able to purchase any of the imports on their own. They could use the parallel market to purchase foreign exchange and then travel out of country to purchase the inputs.

The provinces of Maputo and Gaza used to export cashews, cotton, sugar, citrus and bananas. There is still some minor exporting of cashews. If it is possible to allocate additional resources to the CIP then some of the additional money ought to be set aside to provide special allocations of capital equipment and supplies to assist those farmers able to produce for export. This will not solve the problem quickly, but a start can be made to ending the need for the CIP.

The production that takes place under the project does not have any impact on the balance of payments. The CIP does reduce the need for some donor assisted food shipments. When donor food is reduced both imports and the automatic financing of the imports is reduced. The effect on available foreign exchange is zero.

Mozambique will not be able to emerge from its current situation quickly, and may not be able to be financially self-sustaining for a decade. U.S. assistance can only be ended without causing severe hardship for the beneficiaries if greater attention is paid to generating hard currency exports. Efforts should be made as early as possible to consider the problem of self-sustainability.

H. Indirect Beneficiaries.

Indirect beneficiaries of the CIP are those who benefit through the maintenance or increase of agricultural employment opportunities or the increased availability and lower prices of food in the market. In this beneficiary group there is a sliding scale of benefits from those accruing the greatest benefit to those receiving less.

Food Availability. An analysis of the price data collected in the Maputo Central Market (see Section IV.D), when combined with the results of an AAO/Maputo survey of expenditure patterns in Maputo among lower income groups, gives a picture of beneficiaries in Maputo. If the prices of the items consumed by a specific income group have fallen, then it can be assumed that this group received some benefit.

For analytical purposes the target population was broken into four socio-economic groups. The very poor account for 20 percent of Maputo's population, the poor another 40 percent, and the lower middle 25 percent and middle class around 10 percent. The remaining group comprises 5 percent.

The ration is a critical element to the diet for all lower income groups. For the first six months of 1986 the average ration per person per month was 3 kilograms of corn meal and 2 kilograms of rice. They also received 1 kilogram of sugar, 0.5 kilograms of salt, and 0.5 kilograms of frozen fish. Other items were available occasionally.

The very poorest supplement the ration with cassava, the diet staple, and leaves. Very few of them are likely to belong to cooperatives able to provide additional food items at low prices. Cassava prices have not changed much, if any, this year.

Cassava production data is limited because almost all is eaten by the grower. Known sales of dried cassava have fallen from 10,900 MT in 1981 to 3,700 in 1984 ["The Agricultural Marketing System in Mozambique", Vincent Tickner, Stockholm, December 1985]. Cassava production has not increased as much as other vegetables, legumes and tubers.

Kale prices have fallen significantly but are beginning to rise, albeit slightly in a seasonal pattern. The very poorest have benefitted by the fall in kale prices, but increases in ration prices and a lack of change in cassava prices reduces their benefits.

The poor supplement their ration with cassava and vegetables. Cassava is less prominent in their diet than for the very poor. The items which have come down in price are cabbage, green beans (until October), onions, lettuce (until October) and tomatoes (until late October). There have been small decreases in the prices of carrots with no significant changes in the prices of cassava. This group has benefitted more than the poorest due to the fall in vegetable prices, although the amount they purchase is small.

The lower middle class supplement their ration with cassava, vegetables and fruit. Fruit prices have not changed as much as vegetable prices. There have been small decreases in the prices of bananas, coconuts and papaya with no significant changes or increases in the prices of avocados, oranges, pineapples and tangerines. The group has benefited more than the poor due to the increased importance of vegetables and fruits in their diet.

The middle class supplements their ration with vegetables, fruit, meat and eggs and seldom consume cassava. They too have benefited from the decreases in vegetable prices, but we lack data on what has happened to meat or egg prices. AAO/Maputo did not collect prices for meat or eggs because they were not appearing in the market, and the CIP was emphasizing increased vegetable production. It may be wise to begin to collect such data.

It appears that all income groups have benefitted from the reduction in the prices of many vegetables, but major benefits have not gone to the very poorest because of the importance of cassava in their diet and the lack of cassava price reductions. (Annex H contains a more detailed discussion of the nutritional benefits of the increased food availability in the target areas.)

Employment: All private farmers interviewed by the team employed on-farm laborers. Also, a number of cooperatives indicated that they hire workers. Women tend to constitute the majority of on farm labor, since many men find employment in the mines in South Africa or at factories in Maputo. The number of employees varies depending upon the size of the farm, but tends to average approximately 1 - 1.5 laborers per hectare. As private farmers increase the amount of hectares in cultivation, on farm employment opportunities for rural worker may increase. Wage and expenditure patterns, including food, of farm laborers have not been monitored regularly, as this is not a prime focus of the CIP. However, the team made a preliminary examination of possible nutritional impacts, the results of which are provided in Annex G.

Transporters were able especially to benefit from the increases in agricultural production. It was estimated that transporters could gross approximately Mt. 9,500,000 per year and net approximately 6,000,000, from the transport of produce to market..

The CIP also had a positive impact on the maintenance of employment opportunities at private firms which received AID support. For example, Mabor, which received through the CIP the equivalent of 25 percent of its operating expenses, has 600 workers; Tecnica Industrial, a distributor of Ford trucks and tractors which received 20 percent of its business through the importation and distribution of AID-financed commodities, has a total of 604 employees of which 200 are base in Maputo. If the CIP commodities had not been available, these firms would have shut down for a period or would have operated at reduced capacity. In both cases, the firms would not have been able to utilize productively their employees, since GPRM laws prohibits furloughs.

1. Special Concerns.

Women: Historically, programs in support of the agricultural sector often do not address female farmers as a special target group. The CIP was not directed specifically to providing assistance to women as a discrete beneficiary group. However, women constituted a large percentage of the beneficiaries in the family sector and to a lesser extent in the private farm sector.

In Machava, a district in the Green Zones surrounding Maputo, 95 percent of the family farms are operated by women and 14 percent of the private farms. The high percentage of female farmers in the family sector may be attributable to the employment of male members of the household in either the city or in the mines in South Africa. Women also comprise a large percentage of the membership in cooperatives. However, given this preliminary examination, it is difficult to conclude with certainty the actual value of benefits accruing to women, since most women appear not to be owners of farms but operators in the absence of their husbands.

2. Externalities.

There have been some benefits accruing to people other than the immediate target group of producers. Many of the externalities usually associated with increases in incomes can not exist in Mozambique due to a lack of foreign exchange. Some of these externalities are important to CIP success as they provide the incentive goods which motivate private farmers to increase production. Unless there is something worth purchasing with the increased income it is likely that fewer farmers will produce a surplus.

Every change in the economy causes effects beyond the immediate actors. The change in the productive activity carried on by one firm may change the inputs needed by another firm or may change prices. The CIP has increased the production of vegetables, incomes and the amount of cultivated land by private farmers. Many of the benefits of the program have gone to people other than the immediate beneficiaries. Retailers in the areas are selling more because now they have something to sell and people with money to spend. Distributors have something to distribute, transporters not only have a vehicle to use for transport but goods to transport, market wholesalers and retailers have benefited by the price liberalization and having vegetables to sell.

The increased earnings of farmers should result in people attempting to sell goods to them. The availability of additional vehicles should stimulate the re-emergence of the vehicle repair industry and the add-on market, such as trailers. The increased demand for boxes to bring vegetables to market should provide secondary benefits for those who make these items.

Shortages in the country have been too great to notice many externalities yet the evaluation team was told there has been an increase in the number of private retailers and wholesalers in rural areas served by the CIP. The private commercial farmers the team interviewed had increased their employment. This provides additional sources of income and food for family farmers.

Many externalities cannot emerge because of the shortage of foreign exchange. Many producers recognize that there is an effective demand for their products among private farmers but lack foreign exchange to purchase inputs needed for production. For example, private farmers want rubber or plastic boots for working in the fields. A private manufacturer would like to supply these but lacks the raw materials and the necessary molds. These must be imported and he cannot acquire the foreign exchange. The externality cannot be realized.

Some of these externalities are essential to the success of the CIP. Farmers are producing more vegetables because of the CIP. They want to sell these in the urban markets because of the income they earn. But that income is only of value if there is something to do with the money. If there is nothing for the farmers to purchase there is little reason for them to produce. The response by manufacturers to the increased income of private farmers is an externality to the CIP, but is necessary to the success of the CIP.

I. Local Currency Utilization.

The CIP Grant Agreement requires that the local currency generated from the sale of CIP-financed commodities be deposited into two accounts: 1) a Special Account for developmental uses by the GPRM, and 2) a Trust Fund Account for use by AAO/Maputo to cover administrative expenses. A description of the process and status of deposit for these accounts in provided in Section V.C. The section which follows concerns the uses of the funds in the Special Account.

1. Current Utilization.

CIP II Grant Agreement stipulates that local currency generations

> "...be allocated to agricultural development activities, especially those that have high impact on the project's target farmers."

However, an analysis (contained in Annex H) of AAO/Maputo's local currency fund, conducted in June 1986, reveals numerous obstacles to the effective programming of these funds for development activities, which is estimated to be 2.2 billion meticais annually from CIP and PL 480 programs. These constraints include the abundant supply of meticais which has limited use due to overvaluation of the currency; few needs for meticais for local implementation costs for projects which would depend heavily upon foreign exchange to buy inputs locally; and the large amounts of local currency available through other donor commodity import programs which must be applied against the GPRM budget in the high priority areas of agriculture and rural development.

At the time of this analysis, budget attribution which is recommended may have appeared the most appropriate use of unprogrammed funds. It is anticipated that IMF and GPRM negotiations, which are expected to result in reduced GPRM budget, will conclude in 1987. The team would not recommend budget attributions, if the attributions are used to increase the GPRM's budget above the IMF target levels.

2. Proposed Uses of Local Currency.

To date, AAO/Maputo has received the following proposals totalling MT 403 million to utilize CIP generated local currency, which are awaiting AAO/Maputo and USAID/Swaziland comments and approval:

1. Mt 120 million to finance the local costs of the Sabie/Incomati First Organic Unity project, for which foreign exchange costs will be covered by the Government of Italy;

2. Mt 151 million for the expansion and construction of the Chokwe irrigation system; and

3. Mt 132 million to develop fishing sector projects involving the construction of warehouses, canning factory, infrastructure, fishing boats, fishing centers, and cold storage.

As AAO/Maputo has yet to respond to the GPRM's proposals for utilization of local currency, it would be useful to establish a procedure and process for receipt, review, and timetable for the approval of proposals which are acceptable to the GPRM, USAID/Swaziland, and AAO/Maputo.

The evaluation team has examined the issue of local currency utilization in the context of the CIP objective and a possible IMF reform package. In an effort to limit spending and to reduce the GPRM's budget deficit, the IMF economic reform package will require a vastly reduced development budget. Emphasis will be placed on revitalizing capacity and rehabilitating capital stock. The evaluation team recommends the creation of a loan guarantee program or revolving fund, administered by the privately owned Standard Totto Bank. This would assist firms undergoing privatization or already privately owned, which produce agricultural related items forthe private sector. This recommendation is based upon discussions with private manufacturers and the Standard Totto Bank, which noted the shortage of meticais for private sector lending. Credit should be provided within the credit limits and budget ceilings recommended by the IMF.

The management capacity of AAO/Maputo to develop and monitor local currency development programs remains to be tested, since AAO/Maputo has yet to approve a CIP local currency project, and cannot estimate the number and size of potential activities nor ascertain the concommitant management burden. AAO/Maputo plans to solicit the assistance of an Indefinite Quantity Contractor (IQC) to identify and examine extensively potential uses of local currency. This analysis should not occur until after a GPRM/IMF agreement.

V. MANAGEMENT ASSESSMENT

A. Summary of Findings.

The evaluation concludes that CIP II was managed effectively and efficiently in all areas. Since the initial obligation in August 1985, funds have been disbursed rapidly. Rapid disbursement can be attributed to several factors: (a) more than three-quarters of the commodities financed under CIP II were similar to those procured under CIP I, (b) existing procedures were more familiar to the GPRM, to the AAO/Maputo staff members, and to the participating importers, (c) financing methods were streamlined by shifting from a complicated system of paying suppliers by commercial letters of credit to a more simplified method of AID letters of commitment issued directly to suppliers, and (d) the AAO/Maputo staff grew by one CIP monitor and one accountant.

The CIP II Grant Agreement was signed on August 27, 1985. The conditions precedent were satisfied on October 4, 1985. During the 16 months following the initial obligation almost all of the funds have been committed by contracts for commodities, with cumulative obligations totalling $11,593,677 - leaving a balance of only $406,323 to be disbursed. The bulk of all commodities ($8,809,700) have arrived in Mozambique and have been distributed to private sector end-users. The uncommitted balance has been approximately $150,000 of vegetable seeds from the United States and $409,000 of seed potatoes and seed garlic from South Africa. The AAO/Maputo anticipates that prior to February 1987 contracts will have been awarded to complete the supply of all commodities and that all deliveries will have taken place.

Finally, the number of participating importers increased from two private and five public sector firms in FY 84 to five private and seven public in FY 85, indicating that interest in the CIP program on that level increased significantly.

B. <u>Size and Appropriateness of the Staff</u>.

The CIP is managed by the Commodity Management Officer (CMO), with the assistance of a CIP Monitor and an End-Use Monitor. The AAO/Maputo accountant, responsible for monitoring the local currency account, resigned October 31, 1986 and was replaced in December 1986. Secretarial support is shared with other AAO/Maputo offices. Technical, legal, design, and evaluation services are provided, as needed by M/SER/OP, REDSO/ESA, and the Regional Controller, Economist, and Legal Officer in USAID/Swaziland.

CIP II continued to require significant amounts of staffing time within AAO/Maputo. Although the Director USAID/Swaziland has program approval authority for Mozambique, as defined in AID Delegations of Authority 140, the AAO is the principal officer for Mozambique, having field implementation responsibility.

The specialized skills of the Commodity Management Officer are crucial to implementation of the CIP.. The Commodity Management Officer is responsible for monitoring importation, development of specifications, issuance of tender and financing documents, customs clearance, distribution, and end-use verification. The CMO also must be in contant contact with suppliers to answer quotations and facilitate the process.

The CIP monitor assists in the review of a wide variety of implementation documents, such as requests for quotations, financing requests, letters to the Bank of Mozambique regarding local currency deposits, computer-assisted tracking reports, and cables to the Controller providing instructions for issuing direct letters of commitment, and technical specifications in both Portuguese and English. The Monitor also conducts port checks to verify commodity clearance, and visits importers and dealers to obtain the names and locations of the final purchasers.

The duties of the CIP End-Use Monitor include surveying participating farmers, reporting on the agricultural production impact of the CIP, measuring Maputo market trends, and compiling a limited amount of economic data. The Field Monitor was hired as a recommendation of the PAAD for CIP III. Both CIP monitors must spend a significant amount of time in the field to collect program data. However, the lack of full-time secretarial support for the Commodity Management Office has cause them to become desk bound to file program documents, input field data, and to type.

Generally, the size and composition of the staff is appropriate and can be adequate for managing the CIP, once an accountant is recruited and secretarial support is provided on a full-time basis. However, as noted in previous sections, the need to monitor closely and even assist Mozambique to develop a stronger agricultural input distribution system is becoming apparent as greater quantities of commodities are available in the country. In the area, the assistance of an agricultural specialist would be helpful. AAO/Maputo will need to examine personnel needs in accordance with providing greater support to the CIP in technical agricultural areas.

C. <u>Counterpart and Trust Fund Deposits</u>.

CIP II modified the system of deposits into the special account and the trust fund. For the first time surcharges accrued to the special account rather than to the operating budget of the GPRM, and the percentages applied to the calculation of surcharges increased. Furthermore, the amount of local currency required to be deposited into the trust fund increased from 2 to 3.5 percent of the CIF value of imports.

Due to Mozambique's overvalued currency, it has been necessary to adjust the amounts of local currency deposits required of the buyers to reflect a more realistic pricing of the foreign xchange. To accomplish this the GPRM elected to establish a ystem of "surcharges." This surcharge is applied to a number f high-value items, including trucks, tractors, and otorcultivators.

he surcharge amount, which must be deposited into the special ccount as the distributor retails the commodities to the end ser, is assessed by the Ministry of Finance in the following ay; all duties, the GPRM-fixed wholesale and dealer markups, nd miscellaneous transaction charges are added to the CIF alue of the commodities, converted at the official rate. A urcharge percentage rate which varies depending upon the type f commodity imported, mutually agreed upon by AID and the inistries of Agriculture and Finance, is then applied to this otal to ascertain the amount of surcharge which the importer ill be required to deposit - in addition to the CIF value alculated at the official exchange rate. Therefore, the surcharge for items imported with AID-supplied foreign exchange brings the buyer's cost closer to a rate reflecting the real value of the metical. Surcharges are not added to certain low value items such as hand tools, seeds and fertilizer. The surcharge percentage for capital items is described in Section IV.E.3.

The system of surcharge deposits, while not ideal, appears to be working relatively well. One difficulty with such a system is obviously that of collecting the surcharge from the distributor as commodities are retailed. Reports, however, indicate that deposits are being made by distributors without significant difficulties.

CIP II was the first in which surcharges were to be deposited into the special account. In CIP I, the deposits were given to the GPRM to support the general GPRM budget. Approximately 90 percent of all surcharges have been deposited to date into the special account for commodities already delivered under the FY 85 program, indicating an exceptionally good rate of deposit.

The UDA in Chokwe imposed an additional surcharge on capital equipment in an effort to support UDA program expenses. This practice has stopped and AAO/Maputo has requested UDA to return the funds from the additional surcharge to the farmers. The evaluation team was informed that the Chokwe UDA since has submitted to AAO/Maputo a proposal for the use of local currency generations to support its program.

The following tables provide an accounting of local currency deposits. As of September 30, 1986, 656,700,216.45 meticais has been deposited into the special account and 14,910,533.40 meticais has been deposited into the trust fund. This data has been confirmed and reconciled with the Bank of Mozambique and the GPRM Ministry of Finance. Later accounting is not available, since GPRM recording of deposits is done on a periodic basis.

Status of Accounts

As of September 30, 1986

(in meticais)

CIP I - FY 1984

	Special Account	Trust Fund
Billings	254,278,641.54	5,085,570.89
Deposited (receipts)	245,045,656.95	4,900,911.20
Accounts Receivable	9,232,984.56	184,659.69

CIP II - FY 1985

	Special Account	Trust Fund
Sales	351,958,972.80	12,318,563.67
Deposited (receipts)	285,989,216.50	10,009,622.20
Accounts Receivable	65,969,756.30	2,308,941.47

Surcharge Deposits

(in meticais)

Sales	141,997,396.71
Deposited (receipts)	125,674,343.00
Accounts Receivable	16,323,053.71

Total Deposits for CIP I and II

(in meticais)

	Special Account	Trust Fund
CIP I (FY 84)	245,045,656.95	4,900,911.20
CIP II (FY 85)	285,989,216.50	10,009,622.20
surcharges	125,674,343.00	
Total	656,700,216.45	14,910,533.40

The above deposits are based on sales of the CIP-financed commodities at c.i.f. value and the surcharges which are applied to certain equipment. The metical value of the deposits is based on a floating exchange rate between 42 and 52 meticais: 1 dollar. The following tables show for CIP I and II, the dollar c.i.f. value of the commodities ordered and received and the sales, and the amount of surcharge deposits in meticais.

CIP I - FY 1984

Ordered under CIP	$5,932,429.18
Received under CIP	$5,932,429.18
Sales	$5,875,852.63

CIP II - FY 1985

Ordered under CIP	$11,152,899.69
Received under CIP	$ 8,626,255.82
Sales	$ 5,477,019.32

An accountant was hired in March 1986 by AAO/Maputo, in part, to assist the Bank of Mozambique and the Ministry of Finance with their system of deposits and accounting control. The operation appears to have been a success. The Bank of Mozambique now is better informed about AID's requirements, the document circuit was shortened to make the flow more efficient, and a new system was instituted to track letters of commitment and deposits by assigning reference numbers to each transaction. Likewise, four micro computers were purchased out of the technical assistance budget of the grant to provide the Bank, the Ministries of Finance and Agriculture, and AID with the information processing capability required to handle the document and deposits flow.

D. Effectiveness of Payment Mechanisms

In CIP I, the use of the Bank Letter of Commitment method payment encountered frequent documentation problems and delays. As a result a new system of using Direct Letters of Commitment to suppliers was adopted exclusively for CIP II. The new procedure has proved advantageous, as the Controller in USAID/Swaziland and AID/FM/PAFD became the issuing agencies. Not only have USAID/Swaziland and FM/PAFD provided quick response to issuance requests, and as document review and supplier payment has been much quicker and more efficient (especially for non-U.S. suppliers who previously had to rely on foreign correspondent banks to provide transactions).

The only disadvantage experienced with the change in payment methods was that the management burden on the USAID/Swaziland Controller increased significantly. L/Comm issuances from CIP II alone totalled 31 documents to suppliers worldwide and amendments totalled 30. Although the L/Comm format is easily regenerated by a word processor, making issuance simple enough, reviewing the large volume of associated supplier payment documents is time consuming and management intensive.

The Controller at USAID/Swaziland asked that the responsibility of administrative approval of vouchers and the review of all payment documents be shifted to AAO/Maputo for CIP III. This results in both the CMO in Maputo and the Controller in reviewing all payment documents. This is still preferable to reverting to the initial bank letter of credit method, in which loss of control over the bank charges, payment, and documentation flow would be inevitable.

E. The Design of Future CIPs.

To date, three phases of the CIP have been designed, two have been implemented and the third is underway. CIP I established a list of needed agricultural inputs based on a thorough assessment of private sector needs in agriculture. An appropriate mix of commodities was developed and the specifications were established. Subsequent programs, CIP II and CIP III are based essentially on the same mix of commodities, with minor revisions, as recommended by annual evaluations. These were used to confirm that the CIP was achieving its objective and was reaching the target audience. The assessments also were intrinsic parts of the design process, with recommendations used to modify and improve the basic structure of the CIP.

AAO management has attempted to meld the annual evaluation into the design of the CIP, i.e., the development of a PAIP and PAAD. Indeed, to ensure continuity and an iterative process, members of the evaluation team participate in the PAIP and PAAD missions. Since each CIP was similar in structure, form, and content to the previous year's program, the development of AID authorization documentation tended to duplicate that of the previous year, except for minor changes (in commodities, mix, sales, pricing and target areas).

It would appear that the authorization process could be improved by approving a multi-year CIP, with annual incremental funding, based on the positive conclusions of an evaluation and the development of the PAAD amendment.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions.

The evaluation findings show that the objectives and purpose of the CIP have been met. The CIP continues to be the major supplier of inputs to private farmers, retailers and manufacturers. Food production in the target areas has increased and has resulted in increased food supplies in the Maputo, Xai Xai and Chokwe.

The program target group -- private farmers and traders, received the agricultural supplies and equipment. Seventy percent of all farmers in the target areas received seeds, fertilizers and hand tools. Approximately 15 percent of all commercial farmers received tractors and an average of 16 percent received trucks. Selected private manufacturing firms, who depended on CIP resources for up to 25 percent of their operating expenses, received and productively utilized raw material supplies financed by the program. The allocation system has operated effectively, ensuring generally that inputs were available to those who could utilize them productively. There was a slight increase in the use of private traders to distribute goods.

Logistically, the commodities were procured, shipped, and distributed with little difficulty and in a timely manner. AAO/Maputo management of the CIP has been adequate. However, the recruitment of local currency accountant and the provision of adequate secretarial support to the Commodity Management Office will lighten the heavy administrative burden and will allow the CIP monitors to spend more time in the field to collect pertinent program data. Periodic visits by an agricultural specialist would assist AAO/Maputo to make modifications in the commodity mix, as appropriate, during program implementation.

On the policy side, the GPRM's price liberalization initiatives have resulted in producer prices which approach the true market value and has influenced increased agricultural production. The GPRM has utilized the surcharge to adjust the overvalued metical to obtain an approximated market-value for AID-financed farm equipment and trucks. In recognizing the merit of the surcharge, GPRM has applied it to other high value goods not financed by the CIP. Finally, the GPRM is continuing to redirect resources to the private sector through the the transferral of greater quantities of state-owned farm land to private farmers.

The demand and need for agricultural supplies and equipment in the target areas will remain great enough for at least two more years in Chokwe and the Green Zones and three years in Xai Xai, to utilize the full resources of the CIP at the current funding level of $10.0 million. Moreover, the CIP inputs can be easily absorbed and productively utilized in other provinces such as Manica, if funding for the CIP is increased. As greater quantities of agricultural supplies are available the private sector retailers will need to play a greater role in the distribution of agricultural supplies and the infrastructure to support their participation will need to be rehabilitated and expanded.

B. Recommendations.

Based on the evaluation findings, the team offers the following recommendations for future design and implementation of the program:

1. In the design of the new CIP, Private Sector Support (FY 1988-1991), AAO/Maputo should develop a multi-year program and authorization with annual incrementally financing. Prior to annual funding, an evaluation, in lieu of a PAIP, and a PAAD amendment should be prepared to address modifications and progress on policy dialogue.

2. At the current funding level of $10.0 million:

a. The program should be maintained in the current target geographic areas of Maputo Province, the Green Zones and Xai Xai and Chokwe districts in Gaza Province.

b. Inputs to the Maputo Green Zones should be increased to include greater quantities of seeds and other supplies needed by family and cooperative sectors.

c. The mix of seeds should be adjusted to include greater quantities of cereals, cowpeas (in all target areas), and groundnuts (in Gaza Province).

d. Fuel should be made available to transporters.

e. Greater quantities of seed, fertilizers and handtools should be distributed by private wholesalers and retailers.

f. AAO/Maputo should explore providing assistance to joint GPRM/private or private ventures for seed multiplication programs.

g. AAO/Maputo should investigate the development of a local currency loan guarantee program with the privately-owned Standard Totta Bank.

3. If the program is increased to $15.0, the team would recommend the following in addition to the above:

a. Support should be increased to private manufacturing firms who provide agricultural-related inputs to the private sector.

b. Incentive goods, such as bicycles, metal sheet roofing, should be included in the commodity mix to provide incentives to farmers for further production increases.

c. Foreign exchange should be provided to assist local private investors to purchase state-run or intervened firms which provide agricultural inputs either through direct manufacture, importation, or distribution.

d. Specific incentives, such as additional tractors, trucks or sprayers, should be provided to farmers who can produce for export.

4. If the program funding is increased to $18.5 million, the team would recommend the following in addition to the above:

a. AAO/Maputo should investigate through field work the possibility of expanding the program to the Chimoio area of Manica province, which will require $3.5 million to have a positive impact on production levels.

Annex A

SCOPE OF WORK FOR THE EVALUATION OF THE FY 85 CIP

A. General Objectives

1. Assess the impact and marketing on agricultural production of the CIP-financed agricultural inputs.

2. Determine the extent to which the CIP has contributed to the private sector development, including improvements in the policy environment.

3. Provide lessons learned and recommendations for all specific and evaluation issues.

B. Specific Tasks and Evaluations Issues

1. Production and Marketing.

   (A) Using data collected by the CIP field monitor and evaluation interviews, evaluate: The impact of the CIP inputs on private sector development, transport, marketing; the impact of CIP inputs on participating factories.

   (B) Recommend CIP modifications or additions that will increase the impact of the program on private sector development and food production and distribution.

2. CIP Management

   (A) Assess AID/GPRM procurement procedures and distribution system, including advertising, bidding/selection, transport and payment to determine their effectiveness and timeliness and to recommend any changes that could improve the operation and monitoring of the CIP.

   (B) Review the organization and functioning of the mission's CIP office. Suggest improvements to the computer-assisted data base.

(C) Evaluate the role and function of the Mozambican institutions participating in the CIP (primarily the Ministry of Agriculture, Bank of Mozambique and Regional Agricultural Units)

(D) Have the commodities met the specified standards?

(E) Is the commodity mix appropriate?

3. Policy and Political Impacts

(A) Evaluate the extent to which the conditions and reforms that are part of the policy dialogue have been implemented.

(B) Determine mission, embassy and, if possible, GPRM views on the contribution of the CIP to policy reform.

(C) Determine mission, embassy and GPRM opinions on the importance of the CIP to improvements in U.S. Mozambique relations.

4. GPRM Drought Relief and Rehabilitation Impacts

(A) Determine if CIP seeds and tools were sold to drought affected farmers in target areas.

(B) What impact did the inputs have on rehabilitation?

5. Local Currency Impacts

(A) Determine of Metical generations have followed the approved procedure and are available for use.

(B) Evaluate the allocation, use and progress of local currency projects.

(C) Review potential uses of local currency and suggest a program for the unprogrammed portion of the FY 1984 and 1985 CIP generations.

Evaluation Methodology

The methodology utilized by the team is based on criteria established in the scope of work, general guidance for the PSR II CIP evaluation, as contained in the Private Sector Rehabilitation PAAD (656-0202), and on the evaluation process outlined in Evaluation Guidelines for Non Project Assistance (CIPs) and CIP-Like Activities.

Data for the analyses were derived from the review of commodity inputs and end-use monitoring documents prepared over time by AAO/Maputo CIP Monitor and CIP End Use Monitor, and stored in a computer data base. This systematic collection of input and end-use monitoring data was initiated as a result of the evaluation of CIP I which noted the need for a more formal method of measuring the economic effects of the program.

Interviews were conducted during field visits, utilizing as a guide the questionnaires included on pages attached to this Annex. All completed questionnaires and monitoring sheets are available at AAO/Maputo. While the team noted the usefulness of this data, a more refined analysis of the CIP's impact will require a larger and more regular sampling of beneficiaries in areas outside the general Maputo area. The PAAD development team should develop with the monitors guidelines for collecting data which will be essential for the evaluation of CIP IV.

The first week of the evaluation was spent reviewing and analyzing these documents and conducting interviews with beneficiaries of the program in the Maputo area, including farmers in the Green Zones, private importers and distributors, and GPRM officials. During the second week the team made field visits to Chokwe and Xai Xai districts in Gaza Province. The team was unable to visit the drought affected area of Inhambane to make an assessment of the distribution of hand tools and seeds, due to time and transportation constraints.

The economist and agricultural development officer, after submitting their findings to the project development officer, left the end of the second week of the evaluation. The project development officer remained to compile and further analyze evaluation findings and to present a draft report to AAO/Maputo.

The PDO also incorporate into the draft independent management assessment conducted by the Regional Commodity Officer, REDSO/ESA from October 27-31 and the report on local currency accounts conducted by the Acting Controller, USAID/Swaziland December 2 and 3.

The economist returned for two days during the fourth week to refine the economic analysis in response to questions posed after his departure. The team had held a meeting the end of the second week to discuss preliminary findings, however, there was no general team meeting, before the submittal of the draft report to AAO/Maputo, to discuss and endorse the final recommendations.

Survey of Expenditure Pattern of Families

NAME:____________________

TOWN:____________________

DATE:____________________

Social status

Very Poor Poor Lower Middle Middle

No. Of Members______________

Percentage of food source

ITEM	Ration	Market	Farm/Yard	Family Farm	Coop	Other	TIMES P/WEEK
Rice							
Corn							
Bread							
Fish (Dry)							
Fish							
Leaves							
Cassava							
Beans							
Groundnuts							
Vegetables							
Sweet Potatoes							
Fruit							
Milk/Yoghurt							
Eggs							
Red Meat							
Poultry							
Sugar							

(Other:from Black Market,Migrant goods,Interfranca,...)

Comments:

MARKET QUESTIONNAIRE

DATE:___________ MARKET:______________

ITEM	PRICE Min.	Max.	QTY(Kg) Arrived *	TRANSPORTER s/p/f/r/ @	SOURCE + zv/m/g/i	FARM ^ s/p/f/c	NUMBER OF Retailers
Avocado							
Banana							
Cabbage							
Carrot							
Cussava							
Coco							
Cucumber							
G.Beans							
Garlic							
Grapefruit							
Kale							
Lemmon							
Lettuce							
Manga							
Onion							
Orange							
Papaya							
Pineapple							
Tangerine							
Tomato							

TOTAL :

(*qty.arrived in that day in kg; kg;@ s=state,p=private,f=farmers,r=retailers)
(+ source of products zv=green zones,m=Maputo,g=Gaza,i=Inhambane)
(^ type of Farm,s=state,p=private,f=family,c=cooperative)

OTHER COMMENTS :____

____

____

1: PERSON INTERVIEWED

1.1: name

1.2: position
- owner or wife
- manager
- foreman

1.3: total members
- family/coop______

1.4: age
- age of household head/owner/most members______

1.5: sex
- sex of household head/owner/most members______

1.6: children
- living at home________living away from home

1.7: when arrived in district

1.8: race
- black___
- white___
- Asian___
- mixed___

1.9: citizenship
- Mozambican
  - if not since birth, then previous citizenship______
- Portuguese (when arrived__________)
- other____________(when arrived_________)

1.10: member of Frelimo
- yes/no

1.11: education and experience
- formal
  - highest level of formal education___
  - literacy? (judgment, or self determined)
    - yes/no
  - numeracy? (judgment, or self determined)
    - yes/no
- informal
  - farming experience
    - experience with irrigated farming (yes/no)
    - state farms/private or company/own/coop
    - number of years_______
    - type of position____________
    - main crops_________,________,______

1.12: non-farming experience
- activity__________,__________,__________
- job __________,______________,_______________
- number of years_____,______,______

2: NATURE OF FARM

2. land

amount of land in hectares: ______

irrigated

now

last year

if bigger where the additional land comes from

general assessment of the quality of the land/weather

water availabilty

rain

availability of irrigation permitting one/two crops per year yes/no

quality of soil good/fair/poor

who had the land before

state land

private

company

what were the crops on the land

2.2: items planted

required by the government________, ________, ________

other ________, ________, ________

2.3: type of farm

family

number of family employees

percent of production for self-consumption

cooperative

number of famillies

percent of production for self-consumption

private

number of family employees

non-family employees

percent for self-consumption:

state

number of employees

full time

part time

3: CAPITAL EQUIPMENT

item	Brand	age	Source	when bought	Condi- tion	percent desig	non	spare parts avail Y/N	cost hi/ok	distributor Maint	SP	TA
truck												
tractor												
motor cult.												
irrigation equip.												

COMMENTS:

4: NON-CAPITAL ITEMS

item	type	quality yes/no	ease of getting yes/no	from US/GPRM P/other	sufficiency yes/no	timeliness yes/no	last year type	quantity
fertilizer								
seeds								
pesticide								
fuel				XXXX				

COMMENTS:

extension assistance
from whom
government personnel
Casa Agraria
district agricultural officers
extension from state farms
from larger farmers
nature of assistance
other ____________
value of assistance
vital/useful/marginal/useless
frequency in last 3 months ______
(or when was last visit ________)
labor employed

type	full/part time	number	last year
general laborer adult			
child (school age)			
skilled ________			
skilled ________			

5: PRODUCTION

crop	this year hectare	output	last year hectare	output

animals	number	number

WV

5.2: reason for high/low figure
Instructions: indicate only the most important item and the second most important only.

drought or flood	(major/second)
insurg	(major/second)
price	(major/second)
labor	(major/second)
fuel	(major/second)
inputs	(major/second)
increase in farm size	(major/second)
other__________	(major/second)

6: SALES

to:	quantity this yr.	quantity last yr	to whom	
government:				
forced sales				
_______			factory/transport	ease/trans/_____
_______			factory/transport	ease/trans/_____
_______			factory/transport	ease/trans/_____
non-forced sa.				
_______			factory/transport	ease/trans/_____
_______			factory/transport	ease/trans/_____
_______			factory/transport	ease/trans/_____
to private				
_______			retail/trans/cons/family	
_______			retail/trans/cons/family	
_______			retail/trans/cons/family	

where sold: farm, rural town, city

6.3: dumping - non-sold
change from previous years

6.4: effect of "free" prices on farmer
increased/decreased/no change quantity sold
increased for which crops
decreased for which crops
increased/decreased/no change farmer prices
decreased for which crops
increased for which crops
increased/decreased/no change overall inco

7: SOURCES AND USES OF INCOME

SOURCES	importance this year major/no	importance la major/not
family activities work done on farm		
knitting/sewing	________	________
repair work	________	________
beverage making	________	________
other ________	________	________
work done off farm (but live on farm)		
explain ________	________	________
from family members working elsewhere		
miners	________	________
government employees	________	________
non-government urban workers	________	________
work in rural areas	________	________

USES

USAID items		
________	________	________
________	________	________
________	________	________
major non-USAID farm items		
________	________	________
________	________	________
________	________	________
major non-farm purchases		
some major possibilities		
new marriage	________	________
construction	________	________
improvement to house	________	________
new kitchen equipment	________	________
cattle	________	________
other consumer goods purchased	________	________

8: FACTORS INFLUENCING CURRENT OUTPUT

	effect on output
insurgency	(reduced no effect increased)
drought or flood	(reduced no effect increased)
prices	(reduced no effect increased)
input availability	(reduced no effect increased)
fuel	(reduced no effect increased)
labor	(reduced no effect increased)
management	(reduced no effect increased)
other ________	(reduced no effect increased)

9: OTHER COMMENTS

APPENDIX A

SAMPLE QUESTIONNAIRES

1. CIP EVALUATION FOR PRIVATE SECTOR FIRMS

(Note: Actual questionnaire should leave ample space in which to record answers.)

NAME OF FIRM: ________________ PERSON(S) INTERVIEWED: __________

LOCATION: ____

______________________________ TITLE: __________________________

MAJOR PRODUCT OR SERVICE: _____________________________________

ESTIMATED DOLLAR VOLUME: US$ _________________________ PER YEAR

YEARS IN CIP: _______ TYPE OF CIP IMPORTS: ____________ US$ ____

____________ US$ ____

1. Is firm an end-user ______ retailer _____ wholesaler ______?

2. If end-user:
   What is the end-use?
   - Manufacturing ____
   - Converting ____
   - Use in other products (buildings) ____

3. If retailer or wholesaler:
   To whom is product resold?
   - Consumers ____
   - Retailers ____
   - Manufacturers ____
   - Other end-users ____

4. To what extent have CIP commodities affected firm's total sales or production?
   - Minimal ____%
   - Somewhat ____%
   - Average ____%
   - Above average (over) ____%

5. To what extent have CIP imports affected employment?
   Not at all ____
   Reduced ____%
   Small increase ____%
   Large increase ____%

6. Why has firm continued (if it has) to use CIP imports? (Rank 1,2,3, etc.)
   Quality of U.S. goods ____
   Spare parts availability ____
   Quality of local representative ____
   Speed of delivery ____
   Availability of dollars at favorable exchange rates ____
   No other source of goods ____

7. Have imports under CIP substituted for imports from other countries?
   Yes ____ No ____. If yes, which countries? ____________

8. Have imports under CIP substituted for domestically produced commodities?
   Yes ____ No ____. If yes, which ones? ________________
   Dollar value of substitution US$ ________________

9. Has firm experienced difficulties with local banks in borrowing money?
   Yes ____ No ____. If yes, what kind of difficulty?
   Interest rates too high ____
   Term too short ____
   Firm's creditworthiness questioned ____
   Bank not interested ____

10. What special complaints does firm have about the CIP process?

    A. With Local Government? Yes ____ No ____. If yes, then:
       Too much paper work ____
       Too much official intervening ____
       Policy unclear or changes rapidly ____
       Favoritism ____(public sector vs. private ____)
       (large firms vs. small ____)

B. With USAID? Yes ____ No ____. If yes, then:
  Too much paper work ____
  Rules unclear ____
  Slow deliveries ____
  Prices too high ____
  Time for inspection too short ____
  Delays between steps too long ____
  50/50 shipping too expensive ____
  Not enough contact with USAID officials ____
  Not enough published information about program ___

C. With U.S. suppliers? Yes ____ No ____. If yes, then:
  Goods too expensive ____
  Quality not good ____
  Quality inconsistent ____
  Spares not available ____
  Spares too expensive ____
  Performance guarantees not effective ____
  Number of local representatives ____
  Local representatives not helpful ____

D. With banks? Yes ____ No ____. If yes, then:
  Too slow in processing documents ____
  Too stringent in applying rules ____
  Give lower priority to CIP transactions ____
  Show favoritism between customers ____

11. How would firm improve CIP process? (Freewheeling answers at this stage in view of specific complaints above.)

12. Can firm give examples of how its use of CIP-imported commodities contribute to economic or social development of country or region? (Case history approach.)

13. What are firm's views on impact of CIP on private sector?
  Little impact ____
  Great impact ____
  Explain.

14. On public sector?
  Little impact ____
  Great impact ____
  Explain.

4. CIP-LIKE ACTIVITY EVALUATION FOR INTERVIEWING IMPORTER OF FERTILIZER FINANCED BY USAID PROGRAM

(Note: Actual questionnaire should leave ample space in which to record answers).

NAME OF FIRM: ______________ PERSONS(S) INTERVIEWED: ____________

LOCATION: ____________________________ ___________________________

______________________________ TITLE: ____________________________

1. How many years in fertilizer importing business? ____
   Did you go into business solely as a result of this program? _____

2. What was annual volume of business prior to USAID program?
   _____

3. Who were customers? (In terms of location, and whether individual farmers or members of cooperatives.) ______

   ____

4. How much USAID-financed fertilizer have you imported in the past 2 years?
   _____ bags
   _____ tons

5. Has this replaced any fertilizers you imported through other channels? Yes ____ No ____

   If yes, to what extent? ______________________________________

6. What was the price for which you sold fertilizer per bag from:
   Non-U.S. sources ____
   U.S. sources ____

7. What effect has the USAID import program had on your operations?
   Expanded _____ %
   Stayed same _____

   On income?
   Increased _____ %
   No effect _____

   On number of employees?
   Increased _____ %
   No effect _____

8. What complaints do you have concerning this program?
   Too much red tape _____
   Too many forms _____
   Too much government interference _____
   Too much USAID interference _____

9. How would you change the USAID program? ____________________.

10. Do you plan to expand your business as a result of this program? Yes ____ No ____

11. Can you relate any success stories among your customers using the new fertilizer? (Case histories.)

Evaluation Schedule and Evaluation Team Composition

The evaluation was scheduled November 10-24, 1986. The team was comprised of Robert Armstrong, Chief Agricultural Development Officer, REDSO/ESA; Neal Cohen, Regional Economist, USAID/Swaziland; and Lynn Keeys, Project Development Officer and Team Leader USAID/Swaziland. Jose Marques, CIP Monitor, AAO/Maputo and Fernando Paixao, CIP End-Use Monitor, AAO/Maputo, assisted in the evaluation by scheduling interviews, providing program data and analyses and accompanying the team on field visits. AAO/Maputo Commodity Management Officer Judi Shane provided orientation and program guidance. Mary Pat Selvaggio, Health and Nutrition Officer, USAID/Swaziland accompanied the team on field visits to gain insights on possible nutrition aspects of the program. The commercial and political officers at the American Embassy, Maputo provided background on US/GPRM relations and the political impact of the commodity import program.

The Regional Commodity Management.Officer, Lynn Dunn, due to scheduling problems, conducted an independent assessment of CIP manangement October 27-31, and therefore did not participate in team field visits in November. The Acting Controller, Columbus Spain (USAID Swaziland) conducted an assessment of local currency accounts December 2 and 3.

PEOPLE CONTACTED

The following is the list of persons interviewed. and discussions held by date:

Date: November 11, 1986

1.) Name of Firm: Tecnica Industrial
Service: Ford and Mitsubishi Dealer
Person Interviewed: Mr. Capucho Paulo
Title: Director
Location: Maputo

2.) Name of Firm: Interquimica
Service: Importer (Fertilizer)
Person Interviewed: Mr. Milton
Title: Commercial Director
Location: Maputo

3.) Name of Firm: Entreposto
Service: M. Ferguson and Mercedes Dealer
Person Interviewed: Mr. Manuel Jose
Title: Director
Location: Maputo

Date: November 12, 1986

4.) Name of Firm: Green Zones
Person Interviewed: Mr. Luciano Sumbana
Title: Director
Location: Maputo

5.) Name of Firm: Casa Agraria (Agricutural House)
Person Interviewed: Director
Location: Machava (Green Zones)

6.) Meeting held at the Bank of Mozambique with:
Dra. Luisa Capelao
Dir. Jose A. Fernades
Mr. Eduardo Franca

Date: November 13, 1986

7.) Name of Firm: Mabor
Service: Tires Producer
Person Interviewed: Mr. Rodrigues
Mr. Gamito
Title: Directors
Location: Maputo

8.) Name of Firm: Facobol
Service: Producer of Rubber Boots and Irrigation Pipe
Person Interviewed: Mr. Morgado
Title: Director
Location: Maputo

Date: November 14, 1986

9.) Name of Firm: IMA
Service: Producer of Zinc Roofing Sheets and Irrigation Pipes
Person Interviewed: Mr. Serejo
Title: Director
Location: Maputo

10.) Person Interviewed: Mr. Patricio
Private Farmer
Machava (Green Zones)

11.) Person Interviewed: Production Manager
7th April Cooperative
Machava (Green Zones)

Date: November 17, 1986

12.) Name of Firm: UDA
Service: Ministry of Agriculture Department
Person Interviewed: Mr. Mosca
Title: Director
Location: Chokwe

13. Name of Firm: Mecanagro
Service: Distributor of tractor and oxen drawn implements
Person Interviewed: Mr. Sitoi
Title: Director
Location: Chokwe

14.) Name of Firm: Manuel Nunes
Service: Distributor of Hand Tools
Person Interviewed: Mr. Omar Calu
Title: Manager
Location: Chokwe

15.) Person Interviewed: Manuel Medeiros
Title: Private Farmer
Location: Chokwe

16.) Person Interviewed: Mr. Cossa
Private Farmer
Chokwe

Person Interviewed: Mr. Raimundo Valoy
Administrator
Mozambican Heroes Cooperative
Chokwe

Date: November 18, 1986

17.) Person Interviewed: Mr. Victor Pereira
Title: Private Farmer and Distributor
(Seed and Fertilizer).
Location: Guija

18.) Name of Firm: Boror
Service: Distributor of fertilizer and Seeds
Person Interviewed: Mr. Cipriano
Title: Controller
Location: Chokwe

19.) Family Farmers and Cooperatives
Chokwe

20.) Dr. Rui Ribeiro - National Director of Agriculture
Dr. Joao Mosca - UDA (Unidade de Direccao Agricola)
Eng. Admir Bay - Director, National Enterprise of Seeds

Date: November 19, 1986

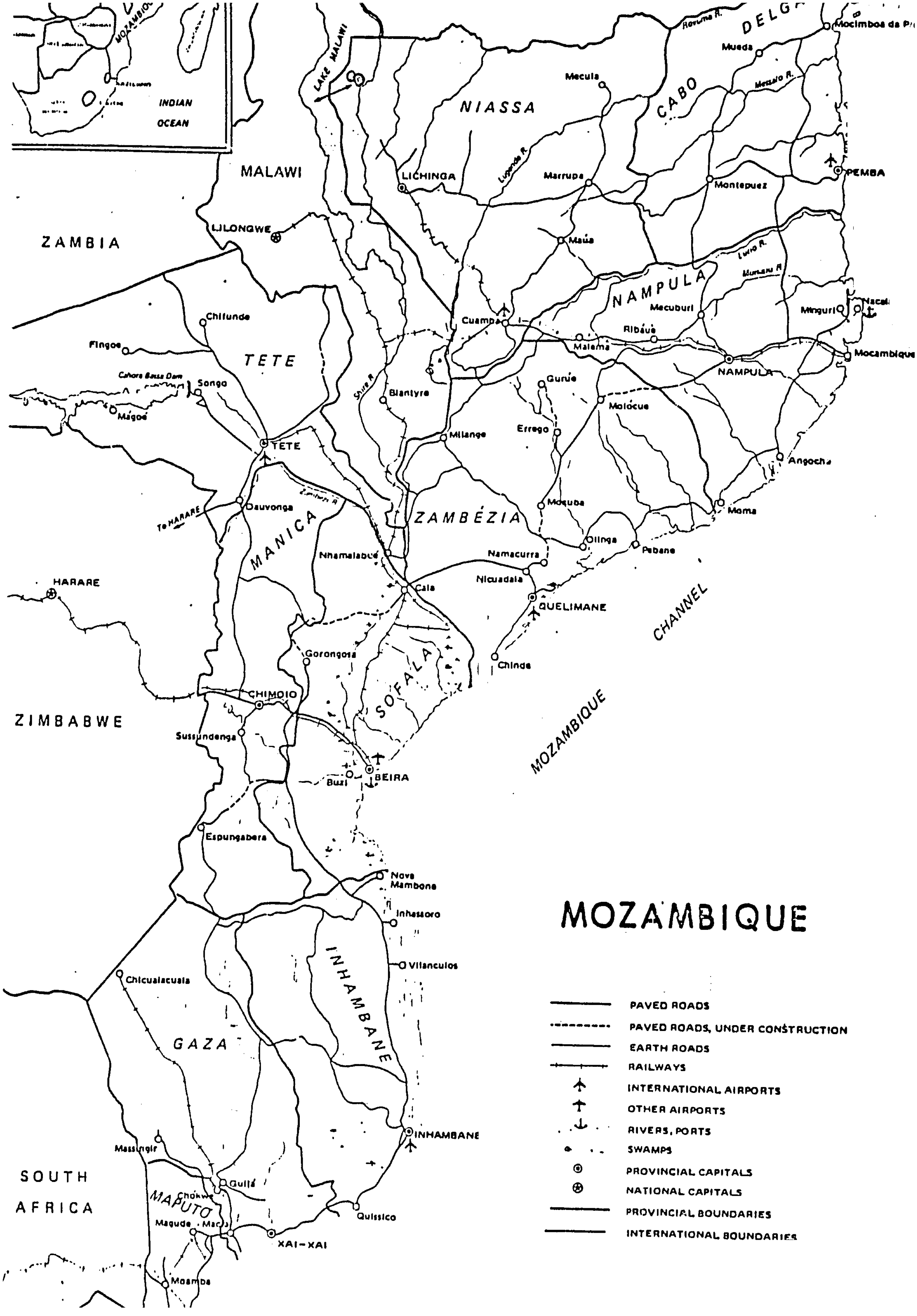
21.) Person Interviewed: Mr. Morais
Title: National Director of Agricultural Research
Location: Chokwe

22.) Mr. Francisco Pateguana
Governor of Gaza Province
Xai Xai

Date: November 20, 1986

23.) Name of Firm: Manuel Nunes
Service: Distributor of Hand Tools
Person Interviewed: Mr.Amadeu Kan
Title: Manager
Location: Xai Xai

24.) Private and Family Farmers and Cooperatives
Location: Xai Xai


MOZAMBIQUE
INDIAN OCEAN
LAKE MALAWI
MALAWI
LILONGWE
ZAMBIA
NIASSA
CABO DELG
Rovuma R.
Mocimboa da P
Mueda
Mecula
Messalo R.
Lugenda R.
LICHINGA
Marrupa
Montepuez
PEMBA
Maua
Lurio R.
Monapo R.
NAMPULA
Mecuburi
Ribaue
Cuamba
Malema
Minguri
Nacala
Mocambique
Gurue
Molocue
Chifunde
Fingoe
TETE
Cahora Bassa Dam
Songo
Magoe
Blantyre
Shire R.
Milange
Errego
Angoche
Zambeze R.
Dauvonga
To HARARE
MANICA
ZAMBÉZIA
Mocuba
Moma
Olinga
Pebane
Namacurra
Nhamalabue
Nicuadala
Caia
QUELIMANE
CHANNEL
HARARE
Chinde
Gorongosa
SOFALA
CHIMOIO
ZIMBABWE
Sussundenga
MOZAMBIQUE
BEIRA
Buzi
Espungabera
Nova Mambone
Inhassoro
INHAMBANE
Vilanculos
Chicualacuala
GAZA
INHAMBANE
Massingir
SOUTH AFRICA
Guija
Chokwe
MAPUTO
Magude
Macia
XAI-XAI
Quissico
Moamba
PAVED ROADS
PAVED ROADS, UNDER CONSTRUCTION
EARTH ROADS
RAILWAYS
INTERNATIONAL AIRPORTS
OTHER AIRPORTS
RIVERS, PORTS
SWAMPS
PROVINCIAL CAPITALS
NATIONAL CAPITALS
PROVINCIAL BOUNDARIES
INTERNATIONAL BOUNDARIES

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Distribution Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule B No.
Tractors	$964,800.00						Intermecano				941	$964,800.00		$0.00	692.3355-
65 HP Tractors		33	35	32	0	100	&	Ford	BZ	$732,800.00					
20% S.Parts									BZ	$132,000.00					
Tractor Implements	$252,643.60											$246,146.60		$6,497.00	666.0002-6660028
Fixed disc Plows							Intermecano		BZ		941				
3 Disc, 28"		33	35	32	0	100		Baldan	BZ	$63,388.35					
10% S.Parts									BZ	$5,830.00					
Disc Harrows									BZ		941				
Offset 20 disc 20"		33	35	32	0	100		Baldan	BZ	$46,187.46					
10% S.Parts									BZ	$4,510.00					
Seeders									BZ		941				
3 Rows		10	15	0	0	25		Baldan	BZ	$33,314.66					
15% S.Parts									BZ	$4,140.00					
Cultivators, 9 Blades		20	15	10	0	45		Baldan	BZ	$9,189.96	941				
Hydraulic Rev. Blade		10	30	10	0	50		Baldan	BZ	$15,066.17	941				
Grain Sheller		20	25	0	0	45		Nogueira	BZ	$53,637.00	941				666.0046-
20% S.Parts for Shellers								Nogueira	BZ	$6,883.00	941				
Tractor Spare Parts															
Massey Ferguson	$150,000.00						Entreposto				899	$149,997.45		$2.55	692.382-692.384
M. Ferguson								England	UK	$13,029.16					
M. Ferguson								England	UK	$70,456.29					
M. Ferguson								Brazil	BZ	$66,512.00	941				
Ford	$150,000.00						T.Industrial	England	UK	$149,377.79		$149,377.79		$622.21	
Oxen Drawn Implements	$49,411.76						Intermecano				941	$49,411.76		$.00	666.0002-666.0028
Plows		0	500	500	0	1000		Zimplow	ZW	$26,754.00					
Triangular Harrows		0	500	500	0	1000		Zimplow	ZW	$20,392.00					
5% S.Parts								Zimplow	ZW	$2,265.76					
Small Manual Equipment	$55,502.00						Intermecano				941	$33,288.00		$22,214.00	
Hand Grain Cleaner		0	80	0	0	80		Triton	BZ	$33,288.00					666.0046-

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Distribution Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule B No.
Sprayers	$41,259.00						Intermecano				941	$41,259.00		$0.00	662.6035-662.6055
Knapsack 20 lts(one nozzle)		200	200	200	0	600		Jacto	BZ	$22,242.00					
Power Take-off 350 Lts		0	5	0	0	5		Jacto	BZ	$5,020.00					
10% S.Parts								Jacto	BZ	$3,298.00					
Sprayers Adaptors						25		Taurus	ZW	$10,699.00					
Transportation Equipment	$1,411,358.74						Intermecano				899	$1,321,534.31		$89,824.43	
Trucks 4x2 - 6 Tonnes		16	5	0	0	21		Mercedes	WG	$571,484.31					692.0420-6920570
Trucks 2-3 Tonnes (4x2)		0	38	25	0	63		Isuzu	JA	$635,040.00					
Pickup 800 Kgs (4x2)		0	0	10	0	10		Isuzu	JA	$52,800.00					
Utility Vehicles 4x4		1	1	2	0	4		Mitsubishi	JA	$40,400.00					
Motorcycles 50 cc		7	8	10	0	25		Mitsui	JA	$21,610.00					692.1015-
Tractor Trailers, 3 ton						25									692.5000-
Cart Axle/Wheel/Chassis	$216,045.53	300	245	80	0	625		Turnpan	ZW	$216,045.53	941	$216,045.53		$0.00	
Bicycles	$177,000.00	1500	1500	1000	0	4000	F.Bicicletas	Roadmaster	IND	$176,880.00	941	$176,880.00		$120.00	732.274
Trucks Spare Parts											899				732.3700
Make Mercedes	$101,305.29						Entreposto	Mercedes	WG	$101,305.29		$101,305.29		$0.00	692.2010-692.2985
Make Mitsubishi	$101,109.55						T.Industrial	Nissho Iwai	JA	$101,109.55		$101,109.55		$0.00	
Fuel	$1,000,000.00						Petromoc				899	$1,000,000.00		$0.00	
Diesel (m3)		3000	2100	1900	0	7000		Petronex	SA	$913,390.21					
Lubricants								Caltex	SA	$86,609.79					
Irrigation Equipment	$500,000.00						EARLI				899	$499,999.99		$0.01	618.4620-618.4900
Motorpump, Deutz F1L210D		56	50	50	0	156		Deutz	SA	$499,999.99					660.9200-660.9490
															662.6031-662.6055
Hand Tools	$662,123.16						Tradimex				941	$441,175.06		$988.10	648.7220-649.5400
Ring Hoe 900grs		0	3000	6000	54700	63700		Trasontina	BZ	$89,326.39					651.2000-651.5650
Ring Hoe 1100grs		4000	4000	6000	0	14000		Tramontina	BZ	$22,518.38					
Weeding Hoe 500grs		0	1000	0	30000	31000		Zimplow	ZW	$32,463.35					
Garden Rake 12 Teeth		0	2000	0	0	2000		Tramontina	BZ	$1,464.25					
Machete, Straight		2000	6000	8000	31200	47200		Tramontina	BZ	$64,400.35					

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule B No.
		Distribution													
Manure Fork, 4 Teeth		0	1000	1000	0	2000		Met. Pacetta	BZ	$10,480.00					
Sickles		13000	4000	0	0	17000		Tramontina	BZ	$15,086.20					
Hatchet, With Handle 1.3/4 lbs		0	2000	4000	7500	13500		Met. Pacetta	BZ	$33,871.00					
Hatchet, With Handle 3.1/2 lbs		0	2000	4000	7500	13500		Met. Pacetta	BZ	$56,151.00					
Shovel, Pointed, With Handle		2000	1500	0	0	3500		Tramontina	BZ	$9,852.05					
Shovel, Square, With Handle		2000	2500	0	0	4500		Tramontina	BZ	$11,381.21					
Pickaxe Without Handle			500			500		Tramontina	BZ	$1,109.28					
Pickaxe		0	500	0	0	500		Met. Pacetta	BZ	$[illegible],528.00					
Saw, Prunning (Hand Saw)		1000	0	0	0	1000		Bonfio	BZ	$2,164.00					
Saw, Frame (Plain Bowsaw)		500	2500	600	0	3600		Santista	BZ	$17,582.96					
Blade for saw		500	2000	500		3000		Santista	BZ	$4,237.24					
Saw Frame		500	2500	600	0	3600		Bonfio	BZ	$19,510.00					
Blade for saw		500	2000	500		3000		Bonfio	BZ	$3,670.00					
File 7, Paralel		0	500	0	0	500		Bonfio	BZ	$667.00					
File, Flat 6"		0	500	0	0	500		Zimplow	ZW	$487.91					
Hammer		2000	2000	0	0	4000		Tramontina	BZ	$7,099.39					
Plier		0	1000	0	0	1000		Bonfio	BZ	$5,340.00					
Hinge for Window		1000	2000	0	0	3000		F.Haga	BZ	$158.00					647.0820-647.0830
Hinge for Door		1000	2000	0	0	3000		F.Haga	BZ	$452.00					
Locks, Full Mortise		250	250	0	0	500		F.Haga	BZ	$2,368.00					
Locks, Surface Mounted		1750	1750	0	0	3500		F.Haga	BZ	$5,165.80					646.9120-
Padlocks , 5 pins		1000	2000	0	0	3000		Santista	BZ	$8,442.15					
Padlocks , 6 pins		1000	2000	0	0	3000		Santista	BZ	$14,005.65					
Watering cans		0	1000	0	0	1000		Lesuma	BOT	$2,193.50					774.5020-
Hand Tools (UNDP/Agricom)															
Hand Saws					53000	53000		Bonfio	BZ	$89,570.00		$219,960.00			
Hammers					85000	85000		Tramontina	BZ	$130,390.00					
Fertilizer (MT)	$1,880,181.00						Interquimica				000	$1,863,141.96		$17,039.04	480.2520-480.?500
N-P-K, 15-30-15		2070	150	380	0	2600		Woodward	US	$623,974.00					
Urea		1200	700	100	0	2000		Woodward	US	$334,481.46					
Ammonium Sulphate		600	150	150	0	900		Woodward	US	$114,570.99					
Freight								Lykes Bros	US	$610,349.30					
Insurance								Walford	US	$12,826.42					
Urea		525				525	Interquimica	Vitol Buck	US	$82,330.50					

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Distribution Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule R No.
Freight								Lykes Bros	US	$83,351.43					
Insurance								Walford	US	$1,257.86					
Fertilizers (2nd Tranche)	$409,150.00										000	$409,150.00		$0.00	
Urea		560				560	Interquimica	Int. Raw Mat.	US	$73,763.20					
N P K		740				740		Int. Raw Mat.	US	$159,840.00					
Freight										$169,662.18					
Insurance										$5,854.62					
Seeds (Kgs)	$2,008,620.37						Interquimica				000	$1,894,124.37		$114,496.00	
Onion (Texas Grano)		500	90	600	0	1190		Arco Seed	US	$16,481.80					126.0120-126.3660
Pumpkin (Sugar)		0	100	320	0	420		Arco Seed	US	$2,100.00					126.5700-126.8500
Collard		0	100	800	0	900		Arco Seed	US	$3,150.00					126.1510-127.1590
Cauliflower (Snowball T 4 Medium)		0	40	60	0	100		Arco Seed	US	$1,330.00					130.3410-
Tomato (Roma)		500	100	530	0	1130		Arco Seed	US	$21,526.20					
Lettuce (Great Lakes)		0	40	210	0	250		Arco Seed	US	$3,200.00					
Carrots (Chantenay)		0	20	530	0	550		Arco Seed	US	$3,080.00					
Bell Pepper (California Wonder)		0	25	325	0	350		Arco Seed	US	$6,457.50					
Cabbage (Gloria or K.Market)		250	75	335	0	660		Arco Seed	US	$3,564.00					
Cucumber (Ashley Long)		0	10	290	0	300		Arco Seed	US	$2,265.00					
Eggplant (Long Purple)		0	10	220	0	230		Arco Seed	US	$4,002.00					
Turnip (Purple White Globe)		0	0	50	0	50		Arco Seed	US	$147.50					
Freight								Arco Seed	US	$2,783.63					
Insurance								Arco Seed	US	$231.98					
Seeds (Kgs)							Interquimica								
Green Kale (Galega)		0	100	0	0	100		Quimigal	PORT	$411.00	899				
Butter Beans		75000	20000	80000	0	175000		Quimigal	PORT	$222,250.00	899				
Black-Eye Beans		0	25000	0	0	25000		Quimigal	PORT	$25,250.00	899				
Chick- Peas		0	200	0	0	200		Quimigal	PORT	$326.00	899				
Corn (Kalahari White)		0	50000	21000	780000	851000		Seico	SW	$522,514.00	941				
Kale Tronchuda		0	100	800		900		Quimigal	PORT	$4,437.00	899				
Garlic (Common White)		0	3000	13713	0	16713		Firma TC	SA	$32,590.00	899				
Potato (BPI or Up-to-date)		400000	69000	0	0	469000		Firma TC	SA	$165,640.40	899				
Seeds Kgs (2nd Tranche)															
Onion (White Lisbon)		30	20	50	50	150	Boror	Arco Seed	US	$3,926.74	000				
Onion (Texas grano)		50	50	150	150	400		Arco Seed	US	$37,171.10					

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Distribution Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule B No.
Onion (Dessex grano)		50	50	100	100	300		Arco Seed	US	$8,702.50					
Onion (Red Creole)		50	50	200	100	400		Arco Seed	US	$16,471.30					
Lettuce		15	10	50	25	100		Arco Seed	US	$1,415.04					
Lettuce (Great Lakes)		15	10	50	25	100		Arco Seed	US	$2,038.94					
Cabbage (Copenhagen Market)		25	25	100	50	200		Arco Seed	US	$1,659.46					
Tomato (Marglobe)		25	25	100	50	200		Arco Seed	US	$8,207.23					
Tomato (Campbell 35 VF)		15	10	50	25	100		Arco Seed	US	$3,891.36					
Tomato (Campbell 37 VF)		15	10	50	25	100		Arco Seed	US	$3,891.36					
Tomato (Roma)		25	25	100	50	200		Arco Seed	US	$7,459.71					
Parsley (Tirone Y. Pungent)		10	15	25	0	50		Arco Seed	US	$601.39					
Bell Pepper (Yolo Wonder)		15	10	50	25	100									
Eggplant (Black Beauty)		15	10	50	25	100		Arco Seed	US	$2,617.82					
Coriander		0	0	20	0	20		Arco Seed	US	$226.41					
Green Bean (Contender)		10000	10000	20000	10000	50000		Arco Seed	US	$96,480.00					
Groundnuts (Natal Common)						360000		Saffola Seeds	S. Afric	$381,600.00	899				
Corn (Kalahari Early Pearl)						78000		Seico	Swazi	$55,017.00	941				
Corn (Kalahari DP)						16000		Pioneer	S. Afric	$8,960.00	899				
Vegetable Seeds (3rd Tranche)															
Tomato (Marglobe)						1500	Boror	Cal Seed	US	$27,795.00	000				
Tomato (Roma)						1000		Cal Seed	US	$16,402.55					
Onion (Texas Grano)						1000		Cal Seed	US	$17,853.82					
Onion (Red Creole)						1000		Cal Seed	US	$14,719.01					
Lettuce (Blue Lakes)						1000		Cal Seed	US	$18,353.82					
Bell Pepper (Yolo Wonder)						500		Cal Seed	US	$9,808.88					
Carrots (Chantenay Red)						500		Cal Seed	US	$5,449.38					
Cucumber (Ashley Medium)						500		Cal Seed	US	$5,449.38					
Cabbage (Copenhagen Market)						1500		Cal Seed	US	$10,626.29					
Pumpkin (Ruge)						500		Cal Seed	US						
Watermelon (Sugar Baby)						500		Cal Seed	US	$3,814.57					
Eggplant						500		Cal Seed	US	$10,898.77					
Tomato (Campbell 37)						500		Cal Seed	US	$9,263.95					
Turnip (White Stone)						500		Cal Seed	US	$3,814.57					
Cabbage (1000 Leaves)						100		Quimigal	Port	$515.12	899				
Kale (Galega)						1100		Quimigal	Port	$4,818.61	899				
Kale (Tronchuda)						1150		Quimigal	Port	$8,125.28	899				
Cabbage (KK Cross)						300		Pop Vriend	Holland	$45,300.00	899				

MOZAMBIQUE
Agriculture Sector Imports
656 K 601 A (1985)
USAID

Commodity	Allotment	Chokwe	Xai-Xai	Maputo	Droug. Areas	Total	Importer	Supplier	Country	Value	Geog. Code	L/COM Value	Waiver	Available	Schedule B No.
		Distribution													
Zinc Sheets	$574,890.00														
Zinc Sheets, Galvanized, 12'		24030	19290	10680	0	53400	Dimac	Consolidated	US	$483,270.00	000	$574,890.00		$0.00	652.9700
Zinc Sheets, Galvanized, 10'		4320	3360	1920		9600		Consolidated	US	$72,288.00					
Screws		162000	126000	72000		360000		Eng. Components	US	$19,332.00					
Zinc Sheets II						34500									
Raw Material															
Nylon For Tires	$1,000,000.00						Mabor	General Tire	US	$999,997.00	000	$999,997.00		$3.00	
Raw Material															
Natural Rubber For Boots (Ton)	$132,815.00					127	Facobol	I & M. Smith	MALAYSIA	$132,815.00	941	$132,815.00		$0.00	446.0505-446.1200
PVC For Water Hose 3/4"	$70,708.15						Facobol	Eng & Maint.	US	$70,708.15	000	$70,708.15		$0.00	
HDPE for Pipes (ton)	$96,476.85						Facobol	Union Carbide	US	$92,148.42	000	$92,148.42		$4,328.43	
Technical Assistance															
Entreposto	$62,000.00														
4WD Vehicles (3)															
2WD Vehicles (2)															
Mecanagro	$32,600.00														
Bus (30 Pass.) (1)															
2WD Vehicles (1)															
TOTAL...............	$12,000,000.00									$11,649,265.23		$11,649,265.23		$256,134.77	

UPDATE: NOVEMBER 30, 1986

CIPmonitor Disk II
WKS - IMPORT85

Mozambique
Commodity Import Program
656 & 601A (1985)
Implementation
USAID

AUTHORIZATION OF CIF FAAD : AUGUST 8, 1985.

COMMODITY	QTY	RFQ DATE	CLOSING DATE	AWARD DATE	IMPORTER	VALUE	SUPPLIER	COUNTRY	L/COM REQUESTED	L/COM ISSUED	E.T.A.	A.D.A	VALUE ARRIVED	RELEASED CUSTOMS	OTHER S
Tractors 65 HP	100	09 19 85	10 04 85	11 05 85	Intermecano	$864,800.00	Ford	Brazil	12 12 85	01 21 86	May 86	05 03 86	$857,825.00	06 16 86	(A)
Fixed Disc Ploughs (3 discs)	100	09 19 85	10 04 85	11 05 85	Intermecano	$69,218.35	Baldan	Brazil	12 12 85	01 21 86	May 86	05 03 86	$69,260.41	05 22 86	(A)
Offset Disc Harrows (20 discs)	100	09 19 85	10 04 85	11 05 85	Intermecano	$52,697.46	Baldan	Brazil	12 12 85	01 21 86	May 86	05 03 86	$53,378.81	05 22 86	(A)
Seeders With Fertilizers (3 rows)	25	09 19 85	10 04 85	11 05 85	Intermecano	$37,454.66	Baldan	Brazil	12 12 85	01 21 86	May 86	05 03 86	$34,168.81	05 22 86	(A)
Cultivators (9 blades)	45	09 19 85	10 04 85	11 05 85	Intermecano	$9,169.96	Baldan	Brazil	12 12 85	01 21 86	May 86	05 03 86	$8,961.76	05 22 86	(A)
Reversible Blades	50	09 19 85	10 04 85	11 05 85	Intermecano	$15,056.17	Baldan	Brazil	12 12 85	01 21 86	May 86	05 03 86	$14,307.20	05 22 86	(A)
Grain Shellers	45	09 19 85	10 04 85	11 05 85	Intermecano	$62,520.00	Nogueira	Brazil	12 12 85	01 21 86	May 86	05 03 86	$61,263.16	05 22 86	(A)
Oxen Drawn Ploughs	1000	06 06 86	06 17 86	07 11 86	Intermecano	$28,044.80	Ziaplow	Zimbabwe	07 29 86	08 05 86	Sept. 86	09 26 86	$28,044.80	10 15 86	(A)
Oxen Drawn Harrows (triangular)	1000	06 06 86	06 17 86	07 11 86	Intermecano	$21,366.96	Ziaplow	Zimbabwe	07 29 86	08 05 86	Sept. 86	09 26 86	$21,366.96	10 15 86	(A)
Oxen Carts	400	06 06 86	06 17 86	07 11 86	Intermecano	$216,045.53	Turnpan	Zimbabwe	07 31 86	08 07 86	Dec. 86				(J)
Hand Grain Cleaners	80	09 19 85	10 04 85	11 05 85	Intermecano	$33,288.00	Triton	Brazil	02 05 86	02 24 86	July 86	07 04 86	$33,258.00	08 12 86	(A)
Knapsack Sprayers	600	09 19 85	10 04 85	11 05 85	Intermecano	$25,140.00	Jacto	Brazil	12 12 85	01 21 86	May 86	05 03 86	$24,440.95	05 22 86	(A)
Sprayers PTO (350 L)	5	09 19 85	10 04 85	11 05 85	Intermecano	$5,420.00	Jacto	Brazil	12 12 85	01 21 86	May 86	05 03 86	$5,390.00	05 22 86	(A)
Adaptors for Sprayers	25			08 14 86	Intermecano	$10,699.00	Taurus	Zimbabwe	11 18 86	11 26 86	Jan.87				(J)
Trucks 8 Ton	21	09 24 85	10 08 85	11 05 85	Intermecano	$571,484.31	Mercedes	W.Germany	12 17 85	01 21 86	July 86	07 30 86	$571,484.31	08 11 86	(A)
Trucks 3-4 Ton	63	09 24 85	10 08 85	11 05 85	Intermecano	$529,200.00	C.Itoh	Japan	01 14 86	01 29 86	May 86	05 04 86	$529,200.00	06 04 86	(A)
Pick - Up 800-1200 Kg	10	09 24 85	10 08 85	11 05 85	Intermecano	$44,000.00	C.Itoh	Japan	01 14 86	01 29 86	May 86	05 04 86	$44,000.00	06 04 86	(A)
Isuzu Spare parts		09 24 85	10 08 85	11 05 85	Intermecano	$114,640.00	C.Itoh	Japan	01 14 86	01 29 86	May 86	06 15 86	$75,945.76	06 28 86	(A)
Utility Vehicles 4x4	4	11 18 85	12 02 85	01 07 86	Intermecano	$40,400.00	Nissho Iwai	Japan	07 14 86	07 30 86	Dec 86				(J)
Motorcycles	25	06 20 86	06 30 86	07 07 86	Intermecano	$21,810.00	Mitsui	Japan	07 29 86	08 05 86	Dec 86				(K)
Bicycles	4000	11 21 85	12 30 85	01 10 86	F.Bicicletas	$175,880.00	Roadmaster	India	05 15 86	05 27 86	August 86	10 01 86	$176,880.00	10 12 86	(A)
Motorpumps, Deutz F1L210D	156	01 14 86	01 25 86	03 24 86	Earli	$499,999.99	Deutz	S.Africa	06 10 86	06 16 86	Oct. 86	10 15 86	$500,000.00	10 28 86	(A)
Trucks Spare Parts (Mitsubishi)				05 22 86	T.Industrial	$101,109.55	Nissho Iwai	Japan	06 23 86	07 21 86	Jan. 87				(J)
Trucks Spare Parts (Mercedes)				04 25 86	Entreposto	$101,305.29	Mercedes	W.Germany	05 23 86	06 02 86	Sept. 86	09 25 86	$97,963.89	10 12 86	(A)
Tractor Spare Parts (Ford)				05 22 86	T.Industrial	$149,377.79	Ford	U.Kingdom	06 30 86	07 21 86	Nov. 86	11 22 86	$135,821.46		(A)
Tractor Spare Parts (M.Ferguson)				01 21 86	Entreposto	$13,029.16	Lucas Export	U.Kingdom	02 21 86	02 28 86	Jan. 87.				(J)
Tractor Spare Parts (M.Ferguson)				01 21 86	Entreposto	$66,512.00	M.Ferguson	Brazil	02 21 86	02 28 86	August 86	08 02 86	$58,288.57	08 17 86	(A)
Tractor Spare Parts (M.Ferguson)				01 21 86	Entreposto	$70,456.29	M.Ferguson	U.Kingdom	02 21 86	02 28 86	July 86	06 29 86	$61,786.11	07 15 86	(A)
Fuel (Ton)	7000	03 25 86	04 06 86	06 15 86	Petromoc	$913,390.21	Petronex	S.Africa	06 18 86	06 23 86	August 86	09 02 86	$913,390.21	09 02 86	(A)

Mozambique
Commodity Import Program
656 I 601A (1985)
Implementation
USAID

AUTHORIZATION OF CIP PAAD : AUGUST 8, 1985.
===

COMMODITY	QTY	RFQ DATE	CLOSING DATE	AWARD DATE	IMPORTER	VALUE	SUPPLIER	COUNTRY	L/COM REQUESTED	L/COM ISSUED	E.T.A.	A.D.A	VALUE ARRIVED	RELEASED CUSTOMS	OTHER STAT
Lubricants		07 25 86	08 05 86	10 24 86	Petromoc	$86,609.78	Caltex	S.Africa	11 18 86	11 26 86	Dec. 86				(J)
Ring Hoes 900 grs.	63700	10 22 85	11 11 85	01 22 86	Tradimex	$89,326.39	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$89,326.39	08 03 86	(A)
Ring Hoes 1100grs.	14000	10 22 85	11 11 85	01 22 86	Tradimex	$22,518.38	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$22,518.38	08 03 86	(A)
Weeding Hoes 500 grs.	31500	10 22 85	11 11 85	12 28 85	Tradimex	$32,463.35	Zimplow	Zimbabwe	02 13 86	02 24 86	June 86	06 05 86	$32,463.35	07 23 86	(A)
Garden Rakes, 12 Teeth	2600	10 22 85	11 11 85	01 22 86	Tradimex	$1,464.25	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$1,464.25	08 03 86	(A)
Macrete Straight	47200	10 22 85	11 11 85	01 22 86	Tradimex	$64,400.35	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$64,400.35	08 03 86	(A)
Manure Fork, 4 Teeth	2000	10 22 85	11 11 85	01 22 86	Tradimex	$10,480.00	Met. Pacetta	Brazil	02 19 86	02 24 86	July 86	07 04 86	$10,480.00	08 03 86	(A)
Sickle	17000	10 22 85	11 11 85	01 22 86	Tradimex	$15,086.20	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$15,086.20	08 03 86	(A)
Hatchet 1 3/4lbs, With Handle	13500	10 22 85	11 11 85	01 22 86	Tradimex	$33,871.00	Met. Pacetta	Brazil	02 19 86	02 24 86	July 86	07 04 86	$33,871.00	08 03 86	(A)
Hatchet 3 1/2lbs, With Handle	13500	10 22 85	11 11 85	01 22 86	Tradimex	$56,151.00	Met. Pacetta	Brazil	02 19 86	02 24 86	July 86	07 04 86	$56,151.00	08 03 86	(A)
Shovel, Pointed With Handle	3500	10 22 85	11 11 85	01 22 86	Tradimex	$8,852.05	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$8,852.05	08 03 86	(A)
Shovel, Square With Handle	4500	10 22 85	11 11 85	01 22 86	Tradimex	$11,381.22	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$11,381.22	08 03 86	(A)
Pickax With Handle	500	10 22 85	11 11 85	01 22 86	Tradimex	$1,109.28	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$1,109.28	08 03 86	(A)
Pickax Without Handle	500	10 22 85	11 11 85	01 22 86	Tradimex	$1,528.00	Met. Pacetta	Brazil	02 19 86	02 24 86	July 86	07 04 86	$1,528.00	08 03 86	(A)
Saw, Hand Saw 20'	1000	10 22 85	11 11 85	01 22 86	Tradimex	$2,164.00	Bonfio	Brazil	02 27 86	03 07 86	July 86	07 04 86	$2,164.00	08 03 86	(A)
Saw, Frame	3600	10 22 85	11 11 85	01 22 86	Tradimex	$19,510.00	Bonfio	Brazil	02 27 86	03 07 86	July 86	07 04 86	$19,510.00	08 03 86	(A)
Blades for Saw	3000	10 22 85	11 11 85	01 22 86	Tradimex	$3,670.00	Bonfio	Brazil	02 27 86	03 07 86	July 86	07 04 86	$3,670.00	08 03 86	(A)
Saw, Frame	3600	10 22 85	11 11 85	01 22 86	Tradimex	$17,582.96	Santista	Brazil	02 19 86	02 24 86	August 86	08 02 86	$17,582.96	08 25 86	(A)
Blades for Saw	3000	10 22 85	11 11 85	01 22 86	Tradimex	$4,237.24	Santista	Brazil	02 19 86	02 24 86	August 86	08 02 86	$4,237.24	08 25 86	(A)
File, Flat 6"	500	10 22 85	11 11 85	12 28 85	Tradimex	$487.91	Zimplow	Zimbabwe	02 13 86	02 24 86	June 86	06 05 86	$487.91	07 23 86	(A)
File, Paralel with handle	500	10 22 85	11 11 85	12 28 85	Tradimex	$667.00	Bonfio	Brazil	02 27 86	03 07 86	July 86	07 04 86	$667.00	08 03 86	(A)
Hammer	4000	10 22 85	11 11 85	01 22 86	Tradimex	$7,099.39	Tramontina	Brazil	02 12 86	02 24 86	July 86	07 04 86	$7,099.39	08 03 86	(A)
Plier 7"	1000	10 22 85	11 11 85	01 22 86	Tradimex	$5,340.00	Bonfio	Brazil	02 27 86	03 07 86	July 86	07 04 86	$5,340.00	08 03 86	(A)
Hinge for window	3000	10 22 85	11 11 85	01 22 86	Tradimex	$158.00	Ferr. Haga	Brazil	02 19 86	02 24 86	July 86	07 04 86	$158.00	08 03 86	(A)
Hinge for door	3000	10 22 85	11 11 85	01 22 86	Tradimex	$452.00	Ferr. Haga	Brazil	02 19 86	02 24 86	July 86	07 04 86	$452.00	08 03 86	(A)
Lock, Full Mortise	500	10 22 85	11 11 85	01 22 86	Tradimex	$2,368.00	Ferr. Haga	Brazil	02 19 86	02 24 86	July 86	07 04 86	$2,368.00	08 03 86	(A)
Lock, Surface mounted	3500	10 22 85	11 11 85	01 22 86	Tradimex	$5,165.80	Ferr. Haga	Brazil	02 19 86	02 24 86	July 86	07 04 86	$5,165.80	08 03 86	(A)
Padlock 5 pins	3000	10 22 85	11 11 85	01 22 86	Tradimex	$8,442.15	Santista	Brazil	02 19 86	02 24 86	August 86	08 02 86	$8,442.15	08 25 86	(A)
Padlock 6 pins	3000	10 22 85	11 11 85	01 22 86	Tradimex	$14,005.65	Santista	Brazil	02 19 86	02 24 86	August 86	08 02 86	$14,005.65	08 25 86	(A)
Watering Cans	1000	10 22 85	11 11 85	01 22 86	Tradimex	$2,193.50	Lesuma Trading	Botswana	02 19 86	02 24 86	August 86	09 15 86	$2,193.50	09 26 86	(A)
Handsaws (UNDP)	53000			06 16 86	Agricom	$97,570.00	Bonfio	Brazil	06 30 86	07 21 86	Dec. 86				(K)
Hammers (UNDP)	85000			06 16 86	Agricom	$130,390.00	Tramontina	Brazil	06 30 86	07 21 86	Dec. 86				(K)
N-P-K 15-30-15 (ton)	2600	06 26 85	07 08 85	08 15 85	Interquimica	$918,521.67	Woodward	U.States		08 27 85	October 85	10 04 85	$918,521.67	10 20 85	(A)

Mozambique
Commodity Import Program
656 I 6014 (1985)
Implementation
USAID

AUTHORIZATION OF CIF FAAD : AUGUST 5, 1985.
==

COMMODITY	QTY	RFQ DATE	CLOSING DATE	AWARD DATE	IMPORTER	VALUE	SUPPLIER	COUNTRY	L/COM REQUESTED	L/COM ISSUED	E.T.A.	A.T.A	VALUE ARRIVED	RELEASED CUSTOMS	OTH
Urea (Ton)	2000	06 26 85	07 05 85	08 15 85	Interquimica	$559,417.59	Woodward	U.States		08 27 85	October 85	10 04 85	$559,417.55	10 30 85	
Amonium Sulfate (Ton)	500	06 26 85	07 02 85	08 15 85	Interquimica	$215,262.51	Woodward	U.States		09 20 85	October 85	11 05 85	$215,262.51	11 27 85	
Urea (Ton)	515	10 15 85		11 06 85	Interquimica	$166,929.29	Vitol Buck	U.States		11 20 85	January 86	01 17 86	$166,929.29	01 22 86	
Fertilizer (2nd Tranche)				09 23 86	Interquimica	$409,150.00	Int. Raw Mat.	U. States	10 07 86	10 14 86	Dec. 86				
Onion (Texas Grano)	1190	09 09 85	09 23 85	11 17 85	Interquimica	$17,216.47	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$17,216.47	05 22 86	
Purslin (Sugar)	42	09 09 85	09 23 85	11 17 85	Interquimica	$2,150.54	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$2,150.54	05 22 86	
Collard	600	09 09 85	09 23 85	11 17 85	Interquimica	$3,200.61	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$3,200.61	05 22 86	
Cauliflower (Snowball T 4 Medium)	190	09 09 85	09 23 85	11 17 85	Interquimica	$1,399.24	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$1,399.24	05 22 86	
Tomato (Roma)	1120	09 09 85	09 23 85	11 17 85	Interquimica	$22,509.87	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$22,509.87	05 22 86	
Lettuce (Great Lakes)	250	09 09 85	09 23 85	11 17 85	Interquimica	$3,342.54	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$3,342.54	05 22 86	
Carrots (Chantenay)	550	09 09 85	09 23 85	11 17 85	Interquimica	$3,217.20	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$3,217.20	05 22 86	
Bell Pepper (California Wonder)	350	09 09 85	09 23 85	11 17 85	Interquimica	$6,745.15	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$6,745.15	05 22 86	
Cabbage (Gloria or K.Market)	860	09 09 85	09 23 85	11 17 85	Interquimica	$3,722.76	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$3,722.76	05 22 86	
Cucumber (Ashley Long)	300	09 09 85	09 23 85	11 17 85	Interquimica	$2,365.59	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$2,365.59	05 22 86	
Eggplant (Long Purple)	200	09 09 85	09 23 85	11 17 85	Interquimica	$4,180.27	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$4,180.27	05 22 86	
Turnip (Purple White Globe)	50	09 09 85	09 23 85	11 17 85	Interquimica	$154.07	Arco Seed	U.States	11 27 85	12 23 85	May 86	05 16 86	$154.07	05 22 86	
Green Kale (Galega)	100	12 10 85	12 20 85	12 26 85	Interquimica	$411.00	Quimigal	Portugal	02 24 86	02 28 86	April 86	04 05 86	$411.00	04 22 86	
Butter Beans	175000	12 10 85	12 20 85	12 26 85	Interquimica	$222,250.00	Quimigal	Portugal	02 24 86	02 28 86	April 86	04 05 86	$222,250.00	04 22 86	
Black Eye Beans	25000	12 10 85	12 20 85	12 26 85	Interquimica	$25,250.00	Quimigal	Portugal	02 24 86	02 28 86	April 86	04 05 86	$25,250.00	04 22 86	
Chick-Peas	200	12 10 85	12 20 85	12 26 85	Interquimica	$326.00	Quimigal	Portugal	02 24 86	02 28 86	April 86	04 05 86	$326.00	04 22 86	
Kale Tronchuda	900	12 10 85	12 20 85	12 26 85	Interquimica	$4,437.00	Quimigal	Portugal	02 24 86	02 28 86	April 86	04 05 86	$4,437.00	04 22 86	
Corn (Kalahari White)	851000	08 15 85	08 30 85	09 05 85	Interquimica	$522,514.00	Seico	Swaziland	10 25 85	10 21 85	October 85	10 30 85	$522,514.00	11 07 85	
Garlic (Common White)	16712	12 10 85	12 20 85	12 26 85	Interquimica	$32,590.00	Firma TC	S.Africa	02 13 86	02 24 86	Febru. 86	02 11 86	$32,590.13	02 26 86	
Potato (BP1 or Up to Date	468000	12 10 85	12 20 85	12 26 85	Interquimica	$165,640.40	Firma TC	S.Africa	02 13 86	02 24 86	March 86	04 20 86	$165,639.57	05 07 86	
SEEDS Kgs (2ND TRANCHE)															
Onion (White Lisbon)	180	07 23 86	08 08 86	08 22 86	Boror	$3,926.74	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Onion (Texas Grano)	480	07 23 86	08 08 86	08 22 86	Boror	$37,171.10	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Onion (Bermex PRR)	360	07 23 86	08 08 86	08 22 86	Boror	$8,702.50	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Onion (Red Creole)	450	07 23 86	08 08 86	08 22 86	Boror	$10,471.30	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Lettuce (New York)	120	07 23 86	08 08 86	08 22 86	Boror	$1,415.04	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Lettuce (Great Lakes)	120	07 23 86	08 08 86	08 22 86	Boror	$2,038.94	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Cabbage (Copenhagen Market)	240	07 23 86	08 08 86	08 22 86	Boror	$1,659.46	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Tomato (Marglobe)	240	07 23 86	08 08 86	08 22 86	Boror	$8,207.23	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				
Tomato (Campbell 35 VF)	120	07 23 86	08 08 86	08 22 86	Boror	$3,891.36	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				

Mozambique
Commodity Import Program
656 K 601A (1985)
Implementation
USAID

AUTHORIZATION OF CIP PAAD : AUGUST 8, 1985.
==

COMMODITY	QTY	RFQ DATE	CLOSING DATE	AWARD DATE	IMPORTER	VALUE	SUPPLIER	COUNTRY	L/COM REQUESTED	L/COM ISSUED	E.T.A.	A.D.A	VALUE ARRIVED	RELEASED CUSTOMS	OTHER ST
Tomato (Campbell 37 VF)	120	07 23 86	08 08 86	08 22 86	Boror	$3,891.36	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Tomato (Roma)	240	07 23 86	08 08 86	08 22 86	Boror	$7,499.71	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Parsley (Tirone Y. Pungent)	60	07 23 86	08 08 86	08 22 86	Boror	$601.39	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Eggplant (Black Beauty)	120	07 23 86	08 08 86	08 22 86	Boror	$2.617.82	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Coriender	24	07 23 86	08 08 86	08 22 86	Boror	$226.41	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Green Bean (Contender)	60000	07 23 86	08 08 86	08 22 86	Boror	$96,480.00	Arco Seed	U.States	10 16 86	10 27 86	Jan. 87				(J)
Groundnuts (Natal Common)	360000	08 27 86	09 11 86	09 29 86	Boror	$381,600.00	Sa'fola Seeds	S. Africa	10 16 86	10 27 86	Dec. 86				(J)
Corn (Kalahari Early Pearl)	78000	08 27 86	09 11 86	09 19 86	Boror	$55,017.00	Seico	Swazi	10 16 86	10 27 86	Jan. 87				(J)
Corn (Kalahari OP)	16000	08 27 86	09 11 86	09 19 86	Boror	$9,960.00	Pioneer	S. Africa	10 16 86	10 27 86	Jan. 87				(J)
Tomato (Marglobe)	1500	10 10 86	10 17 86	11 12 86	Boror	$27,795.00	Cal Seed	U.States							(D)
Tomato (Roma)	1000	10 10 86	10 17 86	11 12 86	Boror	$16,402.55	Cal Seed	U.States							(D)
Onion (Texas Grano)	1000	10 10 86	10 17 86	11 12 86	Boror	$17,853.82	Cal Seed	U.States							(D)
Onion (Red Creole)	1000	10 10 86	10 17 86	11 12 86	Boror	$14,719.01	Cal Seed	U.States							(D)
Lettuce (Blue Lakes)	1000	10 10 86	10 17 86	11 12 86	Boror	$18,353.82	Cal Seed	U.States							(D)
Bell Pepper (Yolo Wonder)	500	10 10 86	10 17 86	11 12 86	Boror	$9,808.88	Cal Seed	U.States							(D)
Carrots (Chantenay Red)	500	10 10 86	10 17 86	11 12 86	Boror	$5,449.36	Cal Seed	U.States							(D)
Cucumber (Ashley Medium)	500	10 10 86	10 17 86	11 12 86	Boror	$5,449.38	Cal Seed	U.States							(D)
Cabbage (Copenhagen Market)	1500	10 10 86	10 17 86	11 12 86	Boror	$10,626.29	Cal Seed	U.States							(D)
Pumpkin (Ruge)	500	10 10 86	10 17 86	11 12 86	Boror		Cal Seed	U.States							(D)
Watermelon (Sugar Baby)	500	10 10 86	10 17 86	11 12 86	Boror	$3,814.57	Cal Seed	U.States							(D)
Eggplant	500	10 10 86	10 17 86	11 12 86	Boror	$10,898.72	Cal Seed	U.States							(D)
Tomato (Campbell 37)	500	10 10 86	10 17 86	11 12 86	Boror	$9,263.95	Cal Seed	U.States							(D)
Turnip (White Stone)	500	10 10 86	10 17 86	11 12 86	Boror	$3.814.57	Cal Seed	U.States							(D)
Cabbage (1000 Leaves)	100	10 10 86	10 17 86	11 12 86	Boror	$515.12	Quimigal	Portugal							(D)
Kale (Galeça)	1100	10 10 86	10 17 86	11 12 86	Boror	$4,818.61	Quimigal	Portugal							(D)
Kale (Tronchuda)	1150	10 10 86	10 17 86	11 12 86	Boror	$8,125.28	Quimigal	Portugal							(D)
Cabbage (K. Cross)	300	10 10 86	10 17 86	11 12 86	Boror	$48,300.00	Pop-Vriend	Holland							(D)
Zinc Sheets I	63000	05 28 86	06 17 86	07 11 86	Dimac	$555,559.00	Consolidated	U.States	07 10 86	09 10 86	Jan. 87				(J)
Screws & Washers	300000	05 28 86	06 17 86	07 11 86	Dimac	$19,332.00	Eng.Components	U.States	07 10 86	09 10 86	Dec. 86				(K)
Nylon for Tires				06 27 85	Mabor	$999,997.00	General Tire	U.States	10 16 85	12 09 85	April 86	04 01 86	$980,153.72	04 27 86	(A)
Natural Rubber For Boots		10 17 85	10 25 85	11 02 85	Facobol	$132,815.00	J&M.Smith	Malaysia	12 12 85	01 21 86	June 86	07 02 86	$132,815.00	07 18 86	(A)
PVC for Water Hose		03 27 86	04 05 86	04 14 86	Facobol	$70,708.15	Eng. & Maint.	Botswana	05 09 86	05 21 86	Jan. 87				(J)
HDPE for Pipes		03 27 86	04 05 86	06 20 86	Facobol	$92,148.43	Union Carbide	U.States	07 11 86	07 21 86	Nov. 86				(K)
Vehicles for T. assistance															

Mozambique
Commodity Import Program
656 K 601A (1985)
Implementation
USAID

AUTHORIZATION OF CIP FAAD : AUGUST 8, 1985.

COMMODITY	QTY	RFQ DATE	CLOSING DATE	AWARD DATE	IMPORTER	VALUE	SUPPLIER	COUNTRY	L/COM REQUESTED	L/COM ISSUED	E.T.A.	A.D.A	VALUE ARRIVED	RELEASED CUSTOMS	OTHER ST
						$11,649,265.23							$8,837,379.52		

TOTAL ALLOCATED......................	$12,000,000.00	
AWARDED..............................	$11,649,265.23	97.08%
ARRIVED IN COUNTRY...................	$8,837,379.52	73.64%
BALANCE AVAILABLE....................	$350,734.77	2.92%

STATUS CODES

(A) Arrived in country
(B) L/Com issued
(C) Awaiting L/Com
(D) Awaiting Bank Approval
(E) Awaiting Award
(F) Awaiting Evaluation
(G) Awaiting RFQ Deadline
(H) Awaiting RFQ Finalization
(I) Awaiting Proforma Invoice
(J) Awaiting Shipping Information
(K) Shipped but Not Arrived

WKS - IMPLES
UPDATE: NOVEMBER 30, 1986

NUTRITIONAL IMPACT ASSESSMENT

by
Mary Pat Selvaggio
Health/Nutrition Officer, USAID/Swaziland

I. MAIN CONCLUSIONS

1. Increases in production have resulted in increases in food consumption (to some degree) for two major population groups:

a) project-supported subsistence farmers and subsistence cooperatives have greater amounts of food available for consumption; and
b) city or town residents who have access to a greater supply of food (at presumably cheaper prices) through commercial markets and who consequently are likely to have higher food intake levels and improved diet quality through the added variety in their diets.

There is some concern that laborers dependent largely on food which is purchased outside city and town markets have not benefitted as greatly as those who purchase food in "urban" markets, (e.g. residents of towns and cities). Laborers on private farms are generally paid in cash and/or food when food is available after the harvest. For these households, increased food production on the farm does not always translate into increased availability for consumption since much of the surplus production is exported to urban markets. Thus, the nutritional benefits accrued to laborers is believed to be less than the nutritional benefits accrued to subsistence producers, private farmers, and residents of urban areas who have access to a greater variety of food for on-site consumption or in the markets.

2. Nutritional problems are still severe in Mozambique, despite the progress made in increasing food production. More than 50% of children in Gaza province show evidence of growth failure, and approximately 10% are severely malnourished. For all groups, the diet is extremely monotonous and likely deficient in calories and many major nutrients. More can be done to promote food security at

the household level through increasing the variety of vegetable production and promoting small livestock and dairy production, especially for those living in more remote areas of the country.

3. The project can promote better nutrition through encouraging the production of beans/legumes (e.g. cowpeas, groundnuts) and high vitamin A vegetables (e.g. pumpkin, carrots). While availability of seeds is a constraint to production of legumes and high vitamin A vegetables, the availability of an abundant supply of water is critical for legume production. Therefore, providing seed alone will not have the intended positive impact on production without an expansion in irrigated production.

4. Food production alone cannot significantly improve overall nutritional status without intensive nutrition education efforts. The principal causes of child malnutrition in Mozambique are shortages of food at the household level and detrimental traditional feeding practices. In addition, adult men appear to consume better quality food and possibly more quantity than women. Women and children are the most vulnerable groups for nutritional problems. Without nutrition education to correct undesirable traditional child feeding practices and distribution of food within the household, malnutrition will continue to be a major problem in Mozambique.

II. Introduction

This nutritional impact assessment of the Mozambique CIP project is based on a preliminary examination of food and dietary characteristics in Gaza and Maputo Provinces. This assessment does not constitute a thorough analysis of the nutritional impact of the project; rather, it is a collection of impressions and observations gathered on a non-scientific, non-rigorous basis. The information presented below is preliminary, may or may not be accurate, and will require more substantive data to validate.

III. Methodology

The principal methods utilized to obtain the information in this report were the following:

1) brief interviews conducted with individuals in

Chokwe and Xai-Xai in Gaza Province (family sector households, laborers on private farms, members of cooperatives);
2) examination of child growth cards at several health centers in Gaza Province, and discussions with nutrition/health personnel; and
3) a review of select food nutrition literature for the country.

IV. Beneficiaries

Overall, one can infer from the interviews and expenditure data (for the Maputo area) that, <u>for specific groups</u>, food intake levels have increased to some degree and the nutritional quality of the diet has possibly improved. These improvements are the result of increased availability of grains and vegetables for on-farm consumption or for purchase in town or city markets.

The principal beneficiaries of the CIP program, in terms of nutrition, can be divided into two groups:

1) project-supported subsistence farmers and subsistence cooperatives who are producing greater amounts of food for their own consumption; and
2) city and town residents who have access to a greater supply of food (at presumably cheaper prices) through commercial markets and who consequently may be consuming more calories and/or improving the nutritional quality of the diet through an increased variety of food consumed.

It appears that increased production levels are associated with increased intake when the food produced is largely retained for on-site consumption. For example, at the time of this evaluation, members of the Mozambican Heroes Cooperative received more maize each month than one year ago. The reported reason for the increased allocation is the increased size of the maize harvest which presumably rose as a result of additional agricultural inputs made available to the cooperative. Subsistence farmers (family farm sector) who have received seeds, fertilizer or other inputs from this project also report that they now produce more food for their own consumption than previously. Several family sector farmers stated that their reserves of staple and vegetable crops were greater in 1986 than 1985. The greatest production increase in family sector farms in the project area appear to occur on irrigated family sector farms, although production increases on dryland farms may have also increased with the CIP agricultural support.

While it is difficult to verify that consumption levels have actually increased over the last two years without detailed food intake data for previous years, our impression is that overall food intake has risen in project-affected households or institutions producing food for their own consumption.

In the "urban" areas visited by the evaluation team (the towns of Xai-Xai, Chokwe, and city of Maputo), anecdotal information indicates that food supplies have increased significantly with a corresponding decline in food prices, particularly for vegetable crops. "Green zones" or private farmers who produce food for market sale are the principal producers of the food sold in towns/cities. Presumably, these urban residents have benefitted from greater food availability and price reduction through increasing their overall caloric intake and consuming more vegetables. Many of the persons interviewed in the urban and rural areas believed that they had enough food available in the household to meet their need either through production or purchase. Thus, one can infer that overall nutritional status has improved for these groups.

This assessment, however, did not examine the nutritional status of the very poor in urban areas, who likely do not have access to sufficient cash to purchase their food needs. Nonetheless, the inconclusive evidence indicates that many urban dwellers are consuming greater quantities of food than in previous years, and the quality of their diet, while still nutritionally inadequate, has improved with the inclusion of a greater variety of vegetables.

A third group of potential beneficiaries include laborers working on private farms supported by the project, although there is some concern that the nutritional benefits accrued to this group are less than those for subsistence farmers and urban dwellers. While most laborers are paid in both food and cash, it appears many are unable to meet their food intake requirements through supplementing in-kind payments with purchased food. Most private farm production, except that which is paid in-kind to the laborers, is exported to "urban" centers. The rural family sector may sell or barter their surplus vegetable production with the labor population, but surplus production is minor for family sector farmers, occurs on a very seasonal basis, and little or no marketing infrastructure exists at the village level. In addition, it is appears that the food price reduction which has reportedly occurred in the urban areas has not spread to the outlying rural areas where most laborers live - so any food available for sale in the rural areas is likely more expensive than the food sold to the urban population. Furthermore, the laborers themselves did not perceive their food security/nutritional situation as having improved in the previous year(s), unlike subsistence family sector farmers or several of the urban dwellers interviewed.

Therefore, abundant food supplies for purchase or barter outside the town/city markets do not appear to be available to non-producers (laborers) year-round. Their food supply is largely dependent on in-kind payments, food produced on home gardens/family farms, or food purchased in the towns when transport is possible. Laborers have not likely accrued the nutritional benefits deduced for the subsistence groups or urban population who have benefitted more from the increased production.

V. Nutritional Status of the Population

The most effective measure of a community's nutritional status is the nutritional well-being of its children. Because of their rapid growth, and their nutritional vulnerability children will manifest the food/nutrition problems earlier than most adults. Thus, a preliminary review of the nutritional status of the children in Gaza province was undertaken as part of this assessment.

Health/nutrition personnel in health facilities in Chokwe and Xai-Xai reported that more than 50% of under-fives in Gaza Province are undernourished as evidenced by growth faltering. Approximately 8-10% of the child population is believed to be severely malnourished. This was substantiated in a review of 28 child growth cards in Chokwe where more than 50% of the children failed to gain weight since the last weighing session. In addition, nutrition data from a health center in Xai-Xai showed that of 253 children weighed in one day, nine (or nearly 3%) were severely malnourished (≤60% standard weight for age).

There appears to be a decline in severe malnutrition rates over previous years[1] although most of the improvement is

---

[1] Malnutrition rates in Gaza Province are lower than several other provinces in Mozambique ("Evaluation of Food and Nutrition Situation in Zambezia, Tete, Manica, Gaza, Sofala, and Inhambane Provinces", MOH, Nutrition Section, August 1986). Severe malnutrition prevalance rates in Gaza (≤ 60% weight/height standard) for 1983 were 12%, in 1984 - 6.9%, and in 1985 - 11%. (Dr. A. Barreto, Regional Medical Director, Gaza Province, personal communication).

attributed to favorable environmental conditions and sufficient rain for agricultural production. Still, malnutrition and hunger is widespread in Gaza especially i the outlying areas of the province where subsistence farming is more precarious. In Northern Chibuto district in Gaza Province, November 1986 data[2] indicates that the prevalance of actual or acute under-five malnutrition ($\leq$60 standard weight for height) is 2.5% with higher rates observed for children ages 12-36 months of age (approximately 4-6%). Moderate malnutrition was found in 12% of all under fives, with a peak prevalance (17-20%) in 12-24 month olds.

Much of the child malnutrition occurs during the weaning period (6 months to 2 years of age) when breastfeeding diminishes and children begin to rely on household food sources for their nutritional needs. According to personnel at the Gaza Provincial Health Center in Xai-Xai, malnutrition in utero or during the first four months of life is not as severe as during the later months of life when children are more dependent on household food sources for growth and development.

However, more recent research do not support the current thinking that child malnutrition appears only after six months of age. Alto Changane Project data of infants unde five months of age show 6% to be moderately malnourished (low weight for height) and 8% exhibit some prevalance of "historical" malnutrition or stunting (low height for age) which suggests in utero or fetal deprivation. The data suggests that maternal nutrition is inadequate and that low birth weight may be a greater problem than realized. Improving maternal nutritional status through promoting increased food consumption during pregnancy and lactation could alleviate some of this malnutrition in the early ages

Health workers in Chokwe and Xai-Xai reported that childhood malnutrition is also a result of detrimental feeding practices during the weaning period (6-24 months). Increased food availability alone cannot improve child nutrition where feeding practices are poor. Nutrition education to improve household allocation of food toward women and children will have the intended nutritional impact not possible with increased food availability alone.

---

2 Korfker, Dineke. Relatorio do Estudo Socio-Economico na Zona do Projecto "Alto-Changane". November 1986.

qV

Malnutrition rates are also reportedly higher amongst family sector households who rely on dryland farming or who have little access to agricultural inputs for food production. This is substantiated by the significant increase in "refugees" in Chokwe who have migrated to towns centers because of their inability to produce their own food[3]. Without rain, little or no food is available to the subsistence farmer despite agricultural inputs. In fact, in discussions with family sector farmers, adequate rainfall was cited as the the principal reason for improved production in the previous year. Expanding irrigation to more family sector farmers would probably also result in positive nutritional impact.

Anemia is another nutritional problem in the population. Alto Changane Project found anemia prevalance to range from 17-28% in school age children in northern Chibuto district in Gaza Province[4]. With the severity of overall malnutrition and the prevalance of anemia, it is likely that vitamin A deficiency is also a significant nutrition problem although no data currently exists.

VI. Nutritional Quality of the Diet

Superficial dietary recalls were conducted with 9 women in various agricultural environments of Gaza Province (laborers, family sector farmers, cooperative members). The majority of women ate two meals a day consisting of a staple food (rice, maize or cassava) supplemented with small quantities of a vegetable, such as tomato, cabbage, or pumpkin leaves. The relatively high frequency of vegetable consumption is encouraging. Most respondents appear to include vegetables in 30-50% of the meals consumed, although this frequency is likely high because the interviews were conducted following the vegetable harvest in September. Fruits, dairy products, eggs,

---

[3] An area of Chokwe has apparently doubled in size from 25,000 to more than 50,000 people in the last year as a result of migration from dry surrounding areas (personal communication with health personnel, Chokwe Rural Hospital, November 1986).

[4] Korfker, Dineke. Relatorio do Estudo Socio-Economico na Zona do Projecto "Alto-Changane". November 1986.

and meat/poultry are rarely consumed because of their relative shortage and high price. This preliminary data suggests that total calorie intake is probably insufficient for all members of the household, with a corresponding deficiency in intake levels of protein, iron, vitamin A and other micronutrients.

In view of the nutritional problems discussed earlier, encouraging consumption of higher calorie/protein foods and foods high in iron and vitamin A will most likely have the greatest impact in improving overall nutritional status in the population. Legumes are particularly nutritious in terms of calories, protein, and iron. In addition, legumes are well accepted in Mozambique, store exceptionally well, and can be reserved for "hunger periods" when other grains or more perishable vegetables are not in supply. Project assistance to promote the production of legumes would have an extremely positive nutritional impact in the population.

Encouraging the consumption of vitamin A-rich foods would also have positive nutritional benefits. Recent research in Asia has demonstrated a link between vitamin A deficiency and increased rates of reduced childhood mortality and morbidity due to diarrheal and infectious diseases[5,6]. With the overall nutritional deprivation observed in Mozambique, vitamin A intakes are likely to be low. Project assistance in promoting the production (and consumption) of high vitamin a vegetables (pumpkin, carrots, squash) or fruits (papaya, mango) would positively affect the population. These foods would also provide substantial calories to an apparently energy deficient diet.

VII. Recommendations

In view of the apparent widespread food and nutritional problems in Mozambique due to insufficient food availability and the relatively poor quality of the diet, three major

---

5 Sommers, A. et al. "Increased mortality in children with mild vitamin A deficiency" Lancet, Sept. 10, 1983. pages 585-588. (1983)

6 Sommers, A. et al. "Increased risk of respiratory diseases and diarrhea in children with pre-existing mild vitamin A deficiency" Am. J. Clinical Nutrition 40:1090-1095. (Nov. 1984)

actions can be expected to have greatest positive impact on nutritional well-being at the household level:

1. <u>Promoting the production of legumes and vitamin A - rich vegetables</u>. These food crops would add calories needed to avoid hunger and starvation and would diversify the diet in adding vitamins and proteins believed to be deficient.

2. <u>Expanding CIP activities to a wider group of family sector farmers</u>. Because the family sector comprises the greatest proportion of the Mozambique population, and because their subsistence agricultural patterns render them more susceptible to nutritional problems, extending CIP inputs to family sector farmers to increase their subsistence production levels is expected to have positive nutritional benefits.

3. <u>Encourage health or extension workers to provide nutrition education as an adjunct to CIP project activities</u>. Maximum nutritional benefits will only be achieved with a combination of inputs including health services, nutrition education, food storage technology, and increased agricultural production. The CIP program, or other agricultural approaches, will have limited impact only. Unless a more comprehensive effort is made to increase food security as well as provide health, nutrition, and educational services, nutritional well-being of the majority population will not be realized.

ANALYSIS OF AAO/MAPUTO'S COUNTERPART FUNDS PORTFOLIO

AND RECOMMENDATIONS FOR MODIFICATION OF

PROCEDURES REGULATING GENERATION

AND EXPENDITURE OF

COUNTERPART FUNDS

Nicholas Jenks
Regional Food for Peace Officer
USAID/Zambia

June 30, 1986

I. INTRODUCTION

The purpose of this paper is to examine AID's counterpart funds portfolio in Mozambique with a view to making recommendations to AAO/Maputo on certain aspects of counterpart funds management in Mozambique. The primary emphases of this inquiry are two: (1) to make recommendations (both specific and general) concerning uses of the counterpart funds already generated, and (2) to contribute to the development of a counterpart funds generation and utilization strategy for AAO/Maputo.

To this end, I have attempted to answer the following questions concerning AID-generated counterpart funds in Mozambique:

1. How much local currency has been generated to date under the various PL 480 Title I, Title II and CIP assistance programs, and of this amount, how much remains to be programmed, and/or expended?

2. For what kinds of uses has local currency been programmed and utilized by AAO Maputo in the past, and what uses are proposed for currently available but unprogrammed local currency?

3. What are the particular requirements and prohibitions of each local currency generating agreement and/or program applicable to utilization of the counterpart funds?

4. What is Mission/AID/W policy concerning programming and expenditure of counterpart funds?

5. What are the constraints to effective and full utilization of the counterpart funds? What problems is AAO/Maputo encountering in utilizing and expending counterpart funds effectively?

6. What amounts of local currency can be expected to be generated in the 1987--1989 period, and to what uses could these resources be put?

7. What recommendations, resulting in operational changes, can be made that would resolve or contribute to the resolution of problems encountered in expending AID-generated counterpart funds in Mozambique?

I have not examined in detail aspects of counterpart funds management in Mozambique such as accountability, reconciliation of records, and monitoring of deposits. Issues of this kind, except insofar as they have an impact on the primary focus of this inquiry, are not discussed in this paper.

II. GENERATION OF LOCAL CURRENCY UNDER VARIOUS USG ASSISTANCE PROGRAM TO DATE, AND ESTIMATE OF CURRENT AVAILABILITIES

Local currency has been generated in Mozambique since 1977, when PL 480 Title II monetization programs were initiated. Additional amounts were generated under PL 480 Title I programs in the late 1970's and early 1980's. Presumably, local currency was also generated under ESF programs during that period, but no statistics are available. In any case, PL 480 local currency generated under all agreements prior to 1983 has been generated, spent and accounted for. (See ANNEX 2 for details of amounts generated under each assistance agreement.) The table below is a summary of local currency already generated under various programs or expected to be generated under assistance agreements already signed which remains to be programmed and utilized.

Agreement	Amount Available	Remarks
1983 Title II (TA 3606)	41,249,621.40	final figure
1984 Title II (TA 4608)	344,366,000.00	final figure
1985 Title II (TA 5609)	301,117,440.00	more coming
1986 Title II (TA 6610)	560 million	estimate
subtotal Title II	1.25 billion	more coming
1985 Title I	880 million	estimate
1986 Title I	1.0 billion	estimate
subtotal Title I	1.88 billion	estimate
1984 CIP	250 million	close estimate
1985 CIP	1.2 billion	estimate
1986 CIP	1.0 billion	minimum
subtotal CIP	2.45 billion	minimum
Total (minimum)	5.5 billion	
Total (estimated)	5.8 billion	

III. PRIOR USES OF USG-GENERATED LOCAL CURRENCY IN MOZAMBIQUE, AND PROGRAMMING OF AMOUNTS CURRENTLY AVAILABLE

A. To date, no CIP-generated local currency has been programmed or expended. PL 480-generated counterpart funds have been expended for a variety of purposes. Examples (titles of projects/activities financed):

Seed Production
Agricultural Marketing Support
Manica Province Reforestation
Maputo Province Reforestation
Development of Cooperatives
Angonia Road
Repair of National Road 205
Financing the Distribution of Seeds and Farm Utensils for the Peasant Sector
Financing the Distribution of Dairy Products
Financing the Operating Expenses of Calamities

These projects utilized something on the order of 1.0 billion metecais from 1979--1984. Two major themes are evident: most "projects" financed in early years were Government controlled development activities, and in later years, the costs of financing the distribution of donated relief commodities by the National Emergency relief agency were included.

These funds appear to have been utilized, for all intents and purposes, as public funds, used to support on-going GPRM activities in the various sectors. No "new" or discrete projects/activities were funded, nor does it appear that the funds ever went out of the national government budgetary process. AID has no more detailed information regarding the specific uses to which the funds were put, (e.g., how many seeds, of what variety were produced) or for what specific activities (development of cooperatives could mean many things) the funds were spent. The only difference between the process as described above and a normal attribution process would seem to be that the funds transitted a special account.

B. Counterpart Funds Currently Available. The GPRM recently, at the request of the AAO, submitted an accounting of counterpart funds currently available and expected to be generated from some of the past PL 480 programs, and has proposed certain projects/activities for financing.

However, before these are listed, it is useful to examine the bank accounts where the PL 480 and CIP funds are kept. All the accounts are in the Banco Popular de Desenvolvimento (The People's Development Bank), as follows:

20.00.41.576.958/6
1985 PL 480 Title I and Title II account
Total expected deposits: Mt 1.3--1.5 billion

20.00.41.476.957/9
1984 PL 480 Title II account
Total expected deposits: Mt 385 million

20.00.251.250
1983 PL 480 Title II account
Total expected deposits: zero (balance of Mt 41 million was transferred to BPD account No. 20.00.41.576.957/9)

152331
1985 CIP account
Total expected deposits: Mt 1.2 billion

152289
1984 CIP account
Total expected deposits: Mt 250 million

At least two additional accounts are expected to be opened by the GPRM in the BPD---one for PL 480 (Titles I & II) and one for the 1986 CIP program:

1986 CIP account
Total expected deposits: Mt 1.0 billion

1986 PL 480 Title I and Title II account
Total expected deposits: Mt 0.9--1.1 billion

C. Proposed Utilization of Counterpart Funds.

1. GPRM (Gil Martins) letter dated November 26, 1985 proposes that Mt 1,106,559,880.50 of PL 480 L/C be utilized for "Irrigation of the Upper Umbeluzi River." This amount is an amalgamation of Title I and II reflows as follows:

1985 Title I	461,076,440.50
TA 5609	301,117,440.00
TA 4608	344,366,000.00

The total (L/C) cost of the project is "estimated" at Mt 1,624,850,000.00, broken down as follows:

--feasibility studies	38 million
--construction	1.39 billion
--equipment	49 million
--other	148 million

100

The Government of Italy is financing the FX cost of the project.

AAO has indicated that this project has been tentatively approved, but has requested additional details, including the technical analysis, before giving final approval. The additional information requested has not been provided to date.

2. GPRM (Gil Martins) letter dated November 26, 1985 proposes that Mt 41,249,621.40 (the remainder of the L/C generated under TA 3606--now domiciled in the 1984 Title II account) be utilized as follows:

distribution of seeds	9,135,000
distribution of 416 milk	8,950,000
DPCCN operations	23,164,621.40

AAO/Maputo has approved these disbursements.

3. MAPUTO 3519, dated 11/28/85, proposes funding from PL 480 reflows an additional Umbeluzi project, the "Lower Umbeluzi." Reportedly, the ADB is to fund the feasibility study, and construction is to begin in 1987. The estimated cost is another 1.6 billion metecais.

4. Only one proposal for use of CIP generated L/C has been received from the GPRM. The Department of Internal Cooperation's letter dated May 19, 1986, proposed:

a) The "Sabie/Incomati First Organic Unity" project, which basically involves irrigation equipment installation and construction. The estimated cost is Mt 120 million, as co-financing; the Government of Italy is to finance the foreign exchange costs.

b) The Chokwe irrigation system expansion and construction project, which involves construction of a sprinkler irrigation network. The estimated cost is Mt 151 million.

c) Fishing sector projects, involving warehouses, a canning factory, infrastructure development, a fishing boat, fishing centers and cold storage construction. The estimated cost is Mt 132 million.

AAO/Maputo has not yet responded officially to this GPRM proposal.

5. AAO/Maputo has given final approval to only one of these suggested activities--the Mt 41 million for DPCCN. AAO has tentatively approved Mt 1.1 billion for the upper Umbeluzi project, and is considering the other two proposals.

total available (estimate): Mt 5.8 billion
proposals received (cumulative): 3.156 billion
proposals approved: 41 million
proposals received but not yet approved: 3.115 billion
unallocated: 2.644 billion
total unallocated and not yet approved: 5.76 billion

101

IV. REQUIREMENTS AND PROHIBITIONS OF THE VARIOUS AGREEMENTS GENERATING LOCAL CURRENCY WITH RESPECT TO PROGRAMMING AND UTILIZATION OF THE COUNTERPART FUNDS

A. All of the present and past PL 480 and CIP agreements require that counterpart funds be deposited into special accounts, and that disbursements be made only for projects/activities mutually agreed-upon in writing by AID and the GPRM.

B. The 1986 CIP stipulates that, "Not less than 75% of the local currency proceeds required to be deposited...will be utilized for mutually agreed-upon development activities." The PAAD stipulates that these uses must be "consistent with regular types of development assistance."

C. The 1986 CIP stipulates that, "Funds will be made available, on a priority basis, to support PVO's and the private sector."

D. The 1986 CIP PAAD states that, "The GAO will also use as a lever the possibility of using some of the L/C generations for budgetary support."

E. The 1985 PAAD states that, "The ...funds will be allocated to agricultural development activities, especially those that have a high impact on the project's target farmers."

F. The 1985 PAAD states that, "The metecal's lack of value makes it extremely difficult to program productive activities....The GPRM may be required to hold the local currency generations in the special account for a longer than normal period, until productive uses can be identified and mutually agreed to by AID and the government. Some of the funds will be held in the special account for use later to match with future AID or other donor programs that bring in foreign exchange goods."

G. The 1986 Title I Agreement stipulates that the GPRM will "...reserve at least 25% of the local currency generated by the sales of PL 480 Title I commodities for financing projects which will support the private sector retailers, wholesalers and farmers."

H. The 1985 Title I Agreement stipulates that, "The proceeds...shall be deposited into a special account and disbursed by the GPRM to fund implementation of the self-help measures...and for other projects of the Government designed to rehabilitate the rural agricultural sector...."

I. The 1986 Title II Agreement stipulates that the local currency will be disbursed to:

- --reduce Mozambique's need for food aid;
- --increase productivity on Mozambique's privately owned farms;
- --increase small private farmer income;
- --provide emergency and humanitarian relief;
- --pay the costs of inland transportation, storage and handling costs associated with those commodities which are distributed for free.

J. The 1985 and 1984 Title II Agreements stipulate: "The GPRM agrees to use/disburse the L/C proceeds for projects/activities which are included in the GPRM's budget and which are designed to (a) reduce Mozambique's need for food aid. (b) increase food production on Mozambique's privately-owned farms. (c) increase small private farmer income, and (d) provide emergency and humanitarian relief. Proceeds may also be used for inland transportation, storage and handling costs associated with those commodities which are distributed for free."

K. The 1983 Title II Agreement stipulates: "The GPRM agrees to use/disburse the L/C proceeds for projects/activities which are included in the GPRM's budget and which are designed to (a) reduce Mozambique's need for food aid. (b) increase food production on Mozambique's privately-owned farms, and (c) increase small private farmer income."

L. For a detailed description of the procedures stipulated in each of the Assistance Agreements in regards to generation and programming of local currency, see ANNEX 1.

103

V. MISSION/AID/W POLICY ON GENERATION AND UTILIZATION OF COUNTERPART FUNDS

A. The 1988 ABS, Local Currency Use Plan states that, "We expect that the local currency generations will be for the most part allocated to agricultural development activities, especially those that have a high impact on the target population...the commercial and private farmer. The general criteria of use is that the expenditure must relate to the private sector and agricultural development goals of our...undertaking. However, the AAO will consider...government budgetary support."

B. Although the above is the "official" policy on utilization of counterpart funds, there is another policy, a more practical policy, which takes into consideration the constraints to effective use of these resources in Mozambique, and the unrealistic programmatic requirements of the programs under which the local currency was generated. That (unstated) policy could be stated as "Compliance, as much as possible, with the various regulations regarding counterpart funds with all the same little expectation that much development impact will result."

C. AID policy re CIP Grants is that counterpart funds must be generated, deposited into a special account, programmed for development activities, and accounted for only slightly less rigorously than dollar funds. Current policy re Title I is less static--generation and special accounts are encouraged, but there is no strict requirement; budgetary attribution is possible. Currently, Title II monetization program requirements are similar to CIP grant requirements.

D. AID, as an Agency, is in the process of trying to come to grips with the issue of counterpart funds to increase the developmental impact of these resources. This initiative is badly needed, as in general, less than optimum use of local currency is made worldwide. Part of this process has resulted in a tightening of controls, and a stricter application of program requirements.

VI. CONSTRAINTS TO FULL AND EFFECTIVE USE OF COUNTERPART FUNDS IN MOZAMBIQUE

A. The Mozambique metecal is basically valueless, insofar as (1) it can not in general be used to obtain goods (there are very few available for sale), and (2) it can be used to obtain services only very infrequently (most people will not work for or to acquire metecais) for the reason expressed in (1) above. Nobody wants metecais, because for the most part, nobody needs them, as there is little that can be done with the currency, and in addition, there is plenty of it available. The local currency counterpart funds resources "controlled" by AAO/Maputo are significant volumetrically (5.8 billion or so), but if viewed from the perspective of the goods or services that might be "bought" with them, worth much less than would seem to be the case.

B. Local currency is not, in general, required for or considered to be a constraint to the implementation of any development projects or activities. Most project inputs need to be imported, either directly through the project, or indirectly through commercial channels. As commercial imports are severely restricted due to the extremely limited FX available, very few inputs can be purchased locally with metecais. Neither does there seem to be a shortage of metecais. No donors surveyed reported implementation problems that can be related to a lack of metecais for in-country complementary project costs.

C. There does not appear to be a shortage of metecais for the GPRM investment or recurrent budget, including the development budget. Metecais, within the banking system, in private hands, and in GPRM coffers appear to be in plentiful supply. The absorbtive capacity for utilization of metecais in development activities is limited by the amount of foreign exchange available.

D. Certain amounts of metecais can be used effectively for purposes of procuring labor. Local salaries, in most cases, can be paid with local currency. But again, the number of laborers that can be absorbed into development activities is limited by the FX available for complementary inputs, and the managerial capacity to administer labor based development activities, which is quite limited in Mozambique. In addition, labor costs are kept artificially low by wage restrictions. Voluntary agencies have ad-hoc requirements for small amounts of metecais which can be used to pay certain local project implementation costs. These occasional "targets of opportunity" can be funded effectively with counterpart funds, but insofar as these are few in number and small in scale, the requirements and absorbtive capacity are extremely limited.

E. certain other donors generate counterpart funds under their assistance programs. The EEC generates "large" amounts of metecais annually, as does the Government of Italy through its assistance programs. WFP generates local currency through the sale of commodities under certain projects. All donors surveyed report serious difficulties spending generated local currency. No donor wants or needs to use the local currency generated by another--indeed donors' first priorities are to "use" what they have generated, not in any case to acquire more. Certain donors, the Dutch for example, do not require deposit and programming of local currency at all. Others do generate local currency, and for reporting purposes, do require a list of "projects" or activities that were financed, but do not get involved in actual allocations to any extent. This is the case of the EEC. The Italians simply specify that the local currency should be used " in the agricultural sector." In most if not all cases, at the present time, local currency is considered by the donors to be a liability rather than an asset. Most donors, after a realistic assessment of the developmental potential of local currency resources in Mozambique, have determined that the best course of action would be to generate and manage only small amounts of local currency, or none at all.

F. Absorbtive capacity for counterpart funds in Mozambique is limited. The amounts that can be programmed and utilized in direct support of discrete projects is quite limited, as explained above. Amounts that could be attributed to the "productive" sectors of the GPRM budget are likewise limited, as 60 percent of the budget is for defense. From another perspective, the utility of the budget attribution model for counterpart funds would seem to be limited as well, as most if not all donors would require that their counterpart funds be "utilized" in the priority sectors of agriculture and rural development. There may not be sufficient absorbtive capacity in these sectors for the total amounts generated by all donors. (The GPRM budget is apparently not for public consumption, and was not available for examination.)

G. The question of whether or not counterpart funds could be used as leverage to induce the GPRM to re-order its public investment priorities--e.g., to increase the budgets for the "productive" sectors (e.g., agriculture and rural development), needs to be examined. The answer is probably, "No." The GPRM would most likely not be willing to reduce defense expenditures, and increase agricultural development expenditures at the present time, for obvious reasons. It is also unlikely that the GPRM could be influenced to increase the budget of (e.g.,) agriculture, to the detriment of other sectors, with only 5--10 billion metecais of leverage. Neither would it seem possible to use the local currency as an incentive for increased expenditure in the ag sector (or in support of the private sector for that matter) as there does not seem to be an unmet funding requirement in either of these two areas. It does not appear likely that AID, acting independently, could induce or entice the GPRM to re-order its public investment policy using counterpart funds as leverage. The IMF and the IBRD would need to take the lead in such an undertaking, as they have 1) the technical expertise and the entree, and 2) command larger resources (leverage.)

H. Another constraint is management. AAO/Maputo does not have the manpower to devote much staff time to counterpart funds management. The expected developmental returns should and do place these activities very low on the priority list. In addition, monitoring of project activities would be extremely difficult, if not impossible, due to security considerations and the size of the country.

I. There does not seem to be much possibility of using local currency directly in support of the private sector at the present time. The informal private sector reportedly does not need additional investment capital; most have a surplus of metecais at present. There is no question that the private sector needs additional support; the kind of support that is required is unfortunately not in metecais, but rather in policy reform, improved security and infrastructure development. At present, metecais cannot be used effectively in these undertakings, or only to a very limited extent.

J. In summary, only small amounts of local currency can reasonably be expected to be "projectized" effectively. Certain targets of opportunity, involving PVO activities, or funding of ad-hoc labor requirements for ongoing projects or activities can be expected to require modest inputs of metecais. Counterpart funds can be programmed in direct support of large scale development activities (e.g., the Italian funded irrigation projects) but in such cases attribution of funds would have exactly the same impact as 1) the GPRM has sufficient metecal resources available, and 2) the GPRM has or will finance such activities in any case. Finally, it does not appear that under the present circumstances, local currency can be used to influence GPRM public investment policy.

VII. EXPECTED FUTURE COUNTERPART FUNDS GENERATIONS

A. Assuming that there is no devaluation of the metecal, that the surcharge on CIP-financed imports is not increased, and that the domestic sale price remains constant, $15 million in ESF CIP funding will generate approximately 1.6 billion metecais in 1987. If the metecal is devalued, generations will increase in inverse proportion to the percentage of devaluation. If CIP assistance levels are reduced, generations will decrease in tandem, although the actual amounts generated could be higher if the currency is devalued. A useful estimate, given the uncertainties above, is that approximately 1.6 billion metecais will be generated annually under the CIP program during the 1987--1989 period.

B. Approximately 50,000 MT of PL 480 commodities are expected to be monetized annually over the 1987---1989 period. At current sales prices of Mt 13/kg, approximately 650 million metecais will be generated annually.

C. Total annual generations are expected to amount to 2.2 billion metecais, at a minimum. If economic reforms are adopted by the GPRM in the near future, these will most likely include devaluation and flow through domestic price increases, both of which will increase the amounts of local currency generated, to perhaps as much as 8 or 10 billion metecais per year. In metecal terms, the USG will control increasingly large amounts of local currency resources, in terms of management, AAO/Maputo will have an increasingly large problem on its hands.

ANNEX 2. LOCAL CURRENCY GENERATIONS (continued)

J. 1983 TITLE II (TA 3606): Local currency sales proceeds generated totalled 365,951,979.60 meticais, of which 324,702,358.20 were expended for development activities, leaving a balance of 41,249,621.40, which used to be domiciled in BPD account No. 20.00.251.250. This balance has since been transferred to BPD account No. 20.00.41.576.957/9. The presumption is that this figure has been accepted by all parties, and that no additional sale[illegible] .d or due.

J. PRIOR TITLE II: No detailed information for L/C generated and expended (if any) under TA's 7601, 7602, and 9603 is available. Funds generated under TA's 9604 and 1605 have been reported as all generated and expended. These projects are considered to have been completed, all the funds generated, spent and accounted for.

K. SUMMARY: PL 480 Title II Agreements numbered 7601, 7602, 9603, 9604 and 1605 and the 1979 and 1980 Title I Agreements have all been completely implemented and the L/C utilized. L/C generated under these agreements [illegible] no further part of this inquiry. TA 3606 is still "open" as at the time of the last GPRM report. MT 41 million remained to be expended. L/C generated under TA's 4608, 5609 and 6610, the 1985 and 1986 Title I Agreements, and the 1984, 1985 and 1986 CIP Grants remains to be expended.

Agreement	Amount Available	Remarks
1983 Title II (TA 3606)	41,249,621.40	presumed correct
1984 Title II (TA 4608)	344,366,000.00	presumed correct
1985 Title II (TA 5609)	[illegible]1,117,[illegible].00	more coming
1986 Title II (TA 6610)	560 million	estimate
subtotal Title II	1.25 billion	more coming
1985 Title I	[illegible] million	estimate
1986 Title I	1.0 billion	estimate
subtotal Title I	1.88 billion	estimate
1984 CIP	[illegible]	close estimate
1985 CIP		
1986 CIP		
subtotal CIP	2.47 billion	minimum
Total (minimum)		
Total (estimated)	[illegible] billion	

109

VIII. CONCLUSIONS

A. Mozambique, at the present time, is a special case situation with respect to AID's generalized policy on the programming and use of counterpart funds. Current AID policy guidelines for local currency generation and use were developed to ensure that these resources are utilized to contribute to development in the recipient countries, and indeed, to increase the developmental impact of AID programs and initiatives. One of the presumptions of that policy is that the more local currency resources generated by, programmed under and utilized in support of AID efforts in recipient countries, the more developmental impact will result. This is not the case in Mozambique. It is not possible, under present circumstances, to use the large amounts of metecais that have been generated to date, or that will be generated in the future, to have a meaningful impact on development in Mozambique. AID should make a policy determination that Mozambique is a special case country with respect to local currency, providing for selective application of counterpart funds generation and use regulations and requirements.

B. There is no good reason to continue to require deposit of Title I local currency into special accounts. Future PL 480 Title I programs should not generate local currency. Operationally, the commodities will continue to be sold through normal commercial channels. The sales proceeds should not be deposited into special accounts, but rather revert to general revenues. After the fact attribution of the sales proceeds to GPRM budget line items would be useful only if AID were involved in an effort to re-order GPRM public investment patterns, which is not at present the case, and should be avoided as a paper exercise of little utility. Monitoring of the sales prices of the commodities--at wholesale, retail and consumer levels (which is of concern to AID) should be instituted. Systematic GPRM reporting on this aspect of the Title I programs should be substituted for the current local currency generation, deposit and expenditure system.

C. There is no good reason to continue to require deposit of the "surcharges" applied to the sale of CIP-financed commodities into the special account. Deposit into the special account of any and all surcharges applied to the sales prices of CIP-financed commodities should be discontinued. Monitoring of the sales prices of the commodities--at wholesale, retail and consumer levels (which is of concern to AID) should be instituted. Systematic GPRM reporting on this aspect of the CIP programs should be substituted for the current local currency generation, deposit and expenditure system.

D. Deposit into the special account of the metecal equivalent of the CIF price of the CIP-financed commodities will probably have to continue. AID and the GPRM should continue to finance certain well defined projects or activities using the resources available. However, it is to be expected that the amounts of metecais that can and will be programmed and expended for those uses will represent only a small fraction of the total amounts generated. Amounts that are not utilized for such activities should be released from the special account on an annual basis, and revert to general revenue.

E. There is no good reason to try to support activities other than the operations of DPCCN with Title II local currency generations. Title II local currency should continue to be deposited into special accounts, and utilized solely for the operating expenses of DPCCN. The funds should be released from the special account on the request of DPCCN, expended by DPCCN for operating expenses, and be the subject of an annual report on their utilization.

F. Only (a portion of) CIP-generated counterpart funds should be "projectized" or used for specific activities. These funds should be programmed for use in certain well-defined initiatives, jointly agreed-to by AAO and the GPRM. The AAO should make an annual estimate of the amount of metecais that can be expended for such activities, and agree to release the remainder for general revenues.

G. After-the-fact funding of large development activities (e.g., construction costs of the Upper Umbeluzi Irrigation Development Project) should be avoided where possible, unless it can be demonstrated that the AID financing of such activities is actually a requirement for project success, and that AID is sufficiently well informed about the project to make a determination that the activity should be financed.

H. There is currently great pressure on the AAO to identify appropriate uses for counterpart funds. This pressure is a result of current policy and regulations which dictate that the counterpart funds must be generated and expended in certain ways. To comply with the regulations, the AAO must find "homes" for large amounts of local currency. This is not the intent of the regulations. Given the peculiar circumstances in Mozambique, the primary goal of local currency programming and utilization in Mozambique is at present to get rid of the surplus metecais, and this without any great expectation of much (if any) developmental impact. This process may well be inimical to AID efforts giving, as it does, the impression to the GPRM that finding ways to get the counterpart funds "off the books" is AID's primary motivation, and should be avoided as at best, pointless, and at worst counter-productive.

IX. DISCUSSION

A. Complying with current AID regulations, and the specific provisions of the local currency generating Agreements, is and will be a major problem for AAO/Maputo and the GPRM. Many of the requirements (the intent of which is well known and appreciated) are unrealistic in the present Mozambican context. Programming such large (present and future) amounts of local currency responsibly, and for the purposes stipulated in the agreements, is a near-impossibility. The best casé scenario, if no changes are made to current procedures, would be for AAO/Maputo to allocate large amounts of metecais to on-going projects that look good on paper, thus satisfying the requirements, but about which projects very little is known. Budget attribution in this case would be more appropriate and equally as effective.

B. AID's strategy for counterpart funds in Mozambique must take into consideration the present situation (described in Section VI) and future economic and fiscal prospects. If the GPRM and the IMF reach agreement on a comprehensive economic reform package, the situation vis a vis counterpart funds, and their utility in the development context, could change dramatically over the medium term. If the metecal is devalued significantly, the counterpart funds currently available will (ironically) increase in value. If money supply is more strictly controlled, or if GPRM budgetary expenditures are reduced (both of which measures are quite likely to be included in any economic reform package) the whole situation in regards to counterpart funds could change dramatically, but not immediately. Even if comprehensive and far-reaching economic reforms are initiated tomorrow, it will take time for these reforms to be implemented and the effects, felt. It is not to be expected that the local currency controlled by AAO/Maputo will, even within 6 months subsequent to implementation of reform measures, be transformed from a liability to an asset.

C. In the event that economic reforms are initiated, there may be reason to re-examine this strategy, and (perhaps) generate and program additional amounts of local currency under the CIP and PL 480 programs. This strategy will need to be re-evaluated at some point after the effects of any economic policy changes are known.

X. RECOMMENDATIONS

1. Future Title I programs should not require generation, deposit of, programming or attribution of counterpart funds.

2. Surtaxes under future CIP programs should not be deposited into the CIP special account, but should revert to general revenues.

3. AAO/Maputo should make an annual estimate of amounts of local currency that can be responsibly programmed for projects or activities, and release any excess to the GPRM as general revenue.

4. Title II programs should continue to generate local currency, and the funds should be deposited into special accounts. The funds should be used soley by DPCCN for operating expenses.

5. Amounts of local currency already generated or expected to be generated under assistance agreements already signed should be programmed selectively with the GPRM in order to comply with the program requirements, and to reduce the amounts of uncommitted metecais. It should be recognized by all concerned that this procedure is basically tantamount to budget attribution, and that future programming procedures will require more project specificity.

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION (continued)

I. 1983 TITLE II

1. Agreement Language:

"The GPRM agrees to use/disburse the L/C proceeds for projects/activities which are included in the GPRM's budget and which are designed to (a) reduce Mozambique's need for food aid, (b) increase food production on Mozambique's privately-owned farms, and (c) increase small private farmer income."

J. PRIOR TITLE II: The L/C requirements of prior Title II Agreements are not of interest, insofar as all of the L/C has been expended.

(e) The GPRM agrees to disburse the special account local currency proceeds for projects/activities which are designed to:

--reduce Mozambique's need for food aid;
--increase productivity on Mozambique's privately owned farms;
--increase small private farmer income;
--provide emergency and humanitarian relief.

Proceeds may also be used to pay for inland transportation, storage and handling costs associated with those commodities which are distributed for free.

The GPRM will disburse the...sales proceeds. .for specific projects/activities which will be agreed to in writing between the GPRM and the USG.

Not less than every six months after the first deposit of local currency proceeds into the special account, the GPRM agrees to provide the AID Affairs Office at the U.S. Embassy in Maputo with a report on the deposits to and the disbursements from the special account. (sic) This report shall also include a narrative statement on the progress of the projects/activities financed from the special account. All such amounts remaining unexpended after two years from the date of deposit, and accrued interest, if any, shall be deposited with ...USAID Swaziland.

G. 1985 TITLE II (TA 5609): Grant agreement language is identical to TA 4606 language (below).

H. 1984 TITLE II (TA 4608):

1. Agreement Language:

"The GPRM agrees to use/disburse the L/C proceeds for projects/activities which are included in the GPRM's budget and which are designed to (a) reduce Mozambique's need for food aid, (b) increase food production on Mozambique's privately-owned farms, (c) increase small private farmer income, and (d) provide emergency and humanitarian relief. Proceeds may also be used for inland transportation, storage and handling costs associated with those commodities which are distributed for free."

The proceeds...shall be deposited into a special account and disbursed by the Government to fund implementation of the self-help measures...and for other projects of the Government designed to rehabilitate the rural agricultural sector as may be mutually agreed upon by the AID and the Government in a separate exchange of letters no later than 60 days after the signing of this agreement.

The Government, through the Ministry of Finance, will provide to AID, on such forms as may be provided by AID, a quarterly report which summarizes the deposits to, expenditures from and balances in the special account."

E. 1985 Title I Agreement, signed January 11, 1985, and amended on January 18, 1985 and on May 23, 1985.

1. Loan Agreement Language:

The proceeds...shall be deposited into a special account and disbursed by the GPRM to fund implementation of the self-help measures...and for other projects of the Government designed to rehabilitate the rural agricultural sector as may be mutually agreed upon by the AID and the Government in a separate exchange of letters by no later than January 31, 1985..."

F. 1986 TITLE II (TA 6610)

1. Grant Agreement Language:

"Subject to the GPRM guarantee that at least 2,500 MT of the commodity will be distributed...free...the GPRM may sell the corn as specified below:

(a) ...none...will be sold to state organizations for consumption;

(b) The GPRM may sell the food grain through its regular commercial food marketing channels at the mutually agreed upon established market prices:

(c) The GPRM agrees to advise...of any change in the price at which those commodities are sold;

(d) Not later than 120 days after the arrival of the food grain, the GPRM agrees to deposit the local currency sales proceeds;

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION (continued)

The rates to be applied to the compounded costs of the other factors listed above are:

65 percent for trucks of three ton capacity and smaller;
60 percent for all other heavier trucks;
25 percent for tractors;
25 percent for motorcultivators.

These surcharge rates, and additional surcharges added to high value irrigation equipment will apply to the commodities imported under the...agreement signed September 29, 1984, as well as the second agreement, which was signed on August 27, 1985."

(3) PIL No. 5, dated February 25, 1986:

"The terminal date for disbursement of funds is hereby extended...to May 28, 1986."

4) PIL No. 6, dated April 16, 1986:

"Amounts generated from the surtax or sobretaxa on the sale of commodities imported...will not be deposited into the special account. Please note that treatment of the sobretaxa is different in the 1985 and 1986 programs, as will be described in implementation letters pertaining to those programs.

Regarding deposits into the special account that are required by Section 5:5 of the grant agreement, it is understood that such generations shall be utilized for mutually agreed upon development purposes. In this context, I request that the Government present, at its earliest convenience, (a) an estimate of the total proceeds to be generated..., (b) an estimate of the total revenues to government, which are to be deposited into the special account, and (c) the government's proposed program for use of such special account receipts for development purposes.

For purposes of deposits to the trust fund, amounts generated by the surcharge will not be included in the local currency generations to which the two (2) percent is applied."

D. 1986 PL 480 Title I Agreement, signed April 11, 1986.

1. Loan Agreement Language:

"(To) reserve at least 25% of the local currency generated by the sales of PL 480 Title I commodities for financing projects which will support the private sector retailers, wholesalers and farmers.

price of imported commodities and would represent a de-facto and unwelcomed recognition by the GPRM of an alternate exchange rate for some commodities. As U.S. assistance would be directed to family and private farmers, it would discriminate negatively against such sectors and discourage purchase of such imports by them. Since farmer's income is constrained by fixed producer prices, it is impossible for many to pay for inputs at some higher shadow price. Some portion, however, of the farm produce is sold on the parallel market, but no measure of the amount or price structure is available. Thus, even fixing a fair shadow price for the AID financed commodities may be impossible.

As other inputs are priced at the official exchange rate and as most prices of agricultural inputs are regulated by the GPRM, the pricing of U.S. assisted commodities for this program will be in accordance with GPRM current policies. Other western donors use the [illegible] import program [illegible] price to the consumer will be the imported cost (CIF) converted at the official rate, plus a government-fixed markup for the agent or the distributor, for all items except tractors, tractor implements, and trucks. For these big ticket items, AID and the GPRM will negotiate a tax or other means of raising the price paid by the farmers for goods, such that the [illegible] by the farmer reflects more accurately the actual cost of the program."

3. Project Implementation Letters

1) PIL No. 2, dated September 29, 1984:

"VIII. Generation and Use of Local Currency:

Mozambique metecais generated as countervalue to the grant will be deposited in a special account for this purpose and be used in support of economic development activities in the agricultural sector."

2) PIL No. 4, dated September 27, 1985:

"The pricing arrangement...will be applied to the total cost of the commodities to the ultimate user in the absence of the surcharge:

a) the base import price of the commodity (CIF);
b) the charge for internal expenses, such as customs, warehousing, other miscellaneous charges (approximately thirty-five percent);
c) seven percent for the wholesaler;
d) twenty-five percent for the distributor;
e) a sobretaxa rate, established by the Ministry of Agriculture.

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION (continued)

2. PAAD Language:

"V. LOCAL CURRENCY GENERATIONS

A. Procedures and Use of Funds

All items financed by the program will be sold to private or cooperative farms with the proceeds accruing to the Government of Mozambique. This local currency will be placed in a special account for allocation to agricultural development activities, especially those that have a high impact on the project's target farmers. Funds will be released from the special account for expenditures mutually agreed upon by AID and the GPRM.

One area that offers much opportunity is the rehabilitation and the construction of markets and packing sheds. This type of activity, which would complement the private sector objectives of the program, will use local currency for the purchase of labor and locally made cement. For many dry-land private farmers, the clearing of bush is a major constraint to expanding land under cultivation. There is land available but the required labor for clearing it is great. Work teams with or without mechanized equipment would be paid to assist in the task. Similarly, rural road repair and construction could be financed by the local currency generations.

Some of the funds will be held in the special account for use later to match with future AID or other donor programs that bring in foreign exchange goods. For example, training courses could be financed with local currency to instruct farmers on the use of new equipment or additional inputs, such as fertilizer. Training of extension workers and monitors is another possibility. In conjunction with the importation of irrigation equipment by AID, another donor or the private sector directly, local currency could be used for the labor needed to rehabilitate or construct the irrigation systems. Labor costs for clearing and leveling of land for irrigation on private sector farms would be a priority use in this regard.

B. Pricing of Commodities

In an economy such as that of Mozambique, in which there is a large parallel market and the local currency is over-valued, the question of the pricing of the imported commodities is a serious issue. Using the official exchange rate (approximately 42 metecais to the dollar) to set the price based on foreign cost will underestimate the real cost of the imported commodity. However, using the shadow exchange rate (of up to 1,600 metecais to the dollar) would be excessive in setting the special account shall be utilized for mutually agreed-upon development purposes provided that such portion of the funds in the special account as may be designated by AID shall be made available to meet the requirements of the United States, which for purposes of this agreement shall be deemed to be two percent (2%) of total local currency generations.

(b) In the event that eligible items financed under the grant are not sold and the proceeds thereof deposited in accordance with subsection (a) of Section 5.5., grantee will, except as AID may otherwise agree in writing, deposit into the special account amounts equivalent in metecais to the US dollar disbursement for such eligible items.

(c) Except as AID may otherwise agree in writing, deposits to the special account shall be within thirty (30) days after notification by AID of disbursement by the U.S. bank. Such deposits shall be based upon the exchange rate in effect on the day of disbursement by the U.S. bank which provides the largest number of Mozambique metecais per U.S. dollar which is not unlawful in Mozambique. The grantee will provide AID with a monthly report showing the allocation number, the letter of credit number, the date of disbursement by the U.S. bank, the amount in U.S. dollars, the amount in Mozambique metecais, and the date of deposit in this special account.

(d) The grantee will provide AID with a detailed accounting of the use of such local currency; the timing and format for such reports will be specified in an implementation letter.

(e) Any unencumbered balances of funds which remain in the special account one year from the terminal date for disbursement under Section [illegible] of this agreement shall be disbursed for such purposes as may, subject to applicable law, be agreed to between grantee and AID."

"<u>SECTION 5.8. Pricing of Commodities.</u>

The grantee agrees that, unless otherwise agreed by AID in writing, it will consult with AID on local sale price for AID-financed tractors, tractor implements, and trucks which reflect the true capital costs of the items and generates a fair return to capital."

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION (continued)

3. Project Implementation Letters

1) PIL No. 1 dated August 27, 1985:

"Mozambique metecais generated [illegible] will be deposited in a special [illegible] this purpose and be used in support of economic development activities in the agricultural sector mutually agreed upon by AID and the GPRM. Local currency generations and deposits in the special account will follow the [illegible] contained in the grant agreement. [illegible] sales proceeds and designated surtaxes (per [illegible] 656-K-601) are to be deposited into the account. [illegible] items not sold, expected to be [illegible] the Ministry of Agriculture, [illegible] funds. The [illegible] in metecais, at the official [illegible] exchange on the date of the transaction, to the US dollar [illegible] for the items."

2) [illegible]

"In order to [illegible] development impact of the program, we have agreed [illegible] amounts generated from the [illegible]...will be deposited into the special account. In this context, I request that the Government present, at its earliest convenience, (a) an estimate of the total proceeds to be generated..., (b) an estimate of the total revenues to government, which are to be deposited into the special account, and (c) the government's proposed program for use of such special account receipts for development purposes.

For the purposes of deposits to the Trust Fund, amounts generated by the surcharge shall not be included in the local currency generations to which the two (2) percent (sic) is applied."

C. 1984 CIP Program (Project No. 656-K-0201, Grant No. 656-K-601, signed September 27, 1984.)

1. Grant Agreement Language:

"SECTION 5.5. Generation and Use of Local Currency.

(a) The Grantee will establish a special account in the Bank of Mozambique and will deposit therein currency of the Government of Mozambique in amounts equal to proceeds accruing to the grantee or any authorized agency thereof as a result of the sale of the eligible items. Funds in the agreed-upon development purposes provided that such portion of the funds in the special account as may be designated by AID shall be made available to meet the requirements of the United States, which for purposes of this agreement shall be deemed to be three and one half percent (3-1/2%) of total local currency generations, less any amounts deposited from the collection of surcharges for the sale of AID-financed tractors, tractor implements and, trucks in accordance with Section 5.8. below.

(b) In the event that eligible items financed under the grant are not sold and the proceeds thereof deposited in accordance with subsection (a) of Section 5.5., grantee will, except as AID may otherwise agree in writing, deposit into the special account amounts equivalent in metecais to the US dollar disbursement for such eligible items.

(c) Except as AID may otherwise agree in writing, deposits to the special account shall be within thirty (30) days after the Bank of Mozambique receives shipping and related documents for each importation. Such deposits shall be based upon the highest legal rate of exchange in effect on the day that the Bank of Mozambique receives the shipping documents. The grantee will provide AID with a monthly report showing the allocation number, the letter of credit number, the date of disbursement by the U.S. bank, the amount in U.S. dollars, the amount in Mozambique metecais, and the date of deposit in this special account.

(d) The grantee will provide AID with a detailed accounting of the use of such local currency; the timing and format for such reports will be specified in an implementation letter.

(e) Any unencumbered balances of funds which remain in the special account one year from the terminal date for disbursement under Section 4.3 of this agreement shall be disbursed for such purposes as may, subject to applicable law, be agreed to between grantee and AID."

"SECTION 5.8. Pricing of Commodities.

The grantee agrees that, unless otherwise agreed by AID in writing, it will in consultation with AID on local sale price for AID-financed tractors, tractor implements, and trucks which reflect the true capital costs of the items and generates a fair return to capital."

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION (continued)

The GPRM must be prodded to develop proposals for programming the local currency generations."

3. Project Implementation Letters

A. USAID letter to BOM, dated February 15, 1986:

"In a related matter, I raised the question of local currency deposits. Specifically:

--that deposits be made to an interest bearing account;
--that the special account...be placed with a private bank.
The GPRM representatives indicated that they would check into the questions of interest and use of the private banking system.

Deposits of local currency had lagged somewhat. The Government representatives agreed to review and attempt to simplify deposit procedures, in consultation with the Commodity Management and Executive Officer in the near future.

I expressed my concern that the generations accruing from the first two CIP's had not been utilized. Indeed, they had not even been programmed for use.

B. PIL No. 1, dated June 12, 1986:

"The Ministry of Agriculture...indicated that the surcharge applicable to high value items would be increased."

B. 1985 CIP Program (Project No. 656-K-0202, Grant No. 656-K-601-A, signed August 27, 1985.)

1. Grant Agreement Language:

"SECTION 5.5. Generation and Use of Local Currency.

(a) The Grantee will establish a special account in the Banco Popular de Desenvolvimento and will deposit therein currency of the Government of Mozambique in amounts equal to proceeds accruing to the grantee or any authorized agency thereof as a result of the sale of the eligible items. Where eligible items are imported and sold by the grantee or its agencies, all sales proceeds shall be deposited into the special account. Where eligible items are imported and sold by the private sector, the local currency equivalent of the dollar financing made available to the private importer under this grant shall be deposited in the special account. Funds in the special account shall be utilized for mutually

123

(e) Any unencumbered balances of funds which remain in the special account one year from the terminal date for disbursement under Section 4.3 of this agreement shall be disbursed for such purposes as may, subject to applicable law, be agreed to between grantee and AID."

"SECTION 5.9. Pricing of Commodities.

The grantee agrees that, unless otherwise agreed by AID in writing, it will in consultation with AID on local sale price for AID-financed tractors, tractor implements, and trucks which reflect the true economic value of the items and generates a fair return to capital."

"SECTION 5.10. Special Account.

The Grantee agrees that the amount generated from any price increases or surcharges in order to comply with section 5.9 of this Agreement will be deposited into the special account referred to in section 5.5. (a) of this Agreement."

SECTION 5.11. Economic Development Activities. The Grantee agrees that, unless otherwise agreed by AID in writing,

(a) no less than 75% of the local currency proceeds required to be deposited...will be utilized for mutually agreed-upon development activities;

(b) the balance may be used for these and other mutually agreed-upon purposes...

SECTION 5.12. Private Voluntary Agencies and the Private Sector. funds...shall be made available, on a priority basis, to support PVO's and the private sector.

2. PAAD Language (draft)

"The AAO will work closer with the ...BOM and the MUF to commit and disburse funds for mutually agreed upon activities. The AAO will also use as a leverage the possibility of using some of the L/C generations for budgetary support.

The 1986 Authorization contains a specific restriction...Basically, at least 75% of the L/C generated from the sale (thus including the surcharge) (must) be used for purposes consistent with regular types of development assistance. The AAO will not approve the use of more than 25% of the L/C for purposes other than development related activities.

ANNEX 1--ASSISTANCE AGREEMENT LANGUAGE AND OTHER DOCUMENTATION

A. 1986 CIP Program (Project No. 656-K-0202, Grant No. 656-K-601-B, signed June 11, 1986

1. Grant Agreement Language:

"SECTION 5.5. Generation and Use of Local Currency.

(a) The Grantee will establish a special account in the Banco Popular de Desenvolvimento and will deposit therein currency of the Government of Mozambique in amounts equal to proceeds accruing to the grantee or any authorized agency thereof as a result of the sale of the eligible items. Where eligible items are imported and sold by the grantee or its agencies, all sales proceeds shall be deposited into the special account. Where eligible items are imported and sold by the private sector, the local currency equivalent of the dollar financing made available to the private importer under this grant shall be deposited in the special account. Funds in the special account shall be utilized for mutually agreed-upon development purposes provided that such portion of the funds in the special account as may be designated by AID shall be made available to meet the requirements of the United States, which for purposes of this agreement shall be deemed to be three and one half percent (3-1/2%) of total local currency generations, less any amounts deposited from the collection of surcharges for the sale of AID-financed tractors, tractor implements and trucks in accordance with Section 5.8. below.

(b) In the event that eligible items financed under the grant are not sold and the proceeds thereof deposited in accordance with subsection (a) of Section 5.5., grantee will, except as AID may otherwise agree in writing, deposit into the special account amounts [illegible] in meticais to the US dollar disbursement for such eligible items.

(c) Except as AID may otherwise agree in writing, deposits to the special account shall be within thirty (30) days after the Bank of Mozambique receives shipping and related documents for each importation. Such deposits shall be based upon the highest legal rate of exchange in effect on the day that the Bank of Mozambique receives the shipping documents. The grantee will provide AID with a monthly report showing the allocation number, the letter of credit number, the date of disbursement [illegible] the U.S. bank, the amount in U.S. dollars, the amount in Mozambique meticais, and the date of deposit in the special account.

(d) The grantee will provide [illegible] detailed accounting of the use of such local currency. [illegible] timing and format for such reports will be specified [illegible] implementation letter.

125

3. Amounts to be generated: $10.4 million will generate approximately Mt 440 million; when the additional funding is expended, another 150 million will be generated, for a total of Mt 590 million, assuming that no devaluation of the currency takes place by the end of the US fiscal year 1986.

E. 1985 Title I.

1. Amount of Loan: $21.0 million

2. Modalities of deposit and generation: Calculation of the amount of L/C to be deposited is performed using the traditional formula of CCC disbursements, at the highest legal exchange rate, minus the CUP, yielding the total amount. (The GPRM has confirmed that their calculations of L/C will take into account the dollar disbursements for ocean freight, converted to metecais.) Approximately Mt 880 million should be generated and deposited into the special account. However, as of 12/04/85, only 451,076,440.50 metecais had been deposited, in account No. 20.00.41.576.958/6 in the BPD. (Note that this account contains both Title I and II L/C generated under FY 1985 Agreement [illegible] deposited in this account under this program.

3. Amount to be generated: Mt 880 million.

F. PRIOR TITLE I AGREEMENTS: The 197[illegible] Title I Agreement generated 152,023,197.90, all of which has been reported by the GPRM as having been spent. The 1980 Title I Agreement generated 285,309,869.04, all of which likewise is reported as having been spent. These programs are considered to have been completely implemented, and all L/C generated and expended.

G. 1986 TITLE II: Local currency generations are a function of the local sales price of the commodities imported, currently Mt 13/kg for cereals. Approximately 42,500 MT of commodities is expected to generate approximately 560 million metecais.

H. 1985 TITLE II (TA 5609, dated January 23, 1985): Local currency deposited as of December 4, 1985 totalled 301,117,140 metecais, and has been deposited into account No. 20.00.41.576.958/6 in the BPD. [illegible] there will be or should be additional deposits, but there is a strong presumtption that there should be.

I. 1984 TITLE II (TA 4608, as amended): [illegible] generated: 344,366,000 metecais have been deposited into BPD account No. 20.00.41.475.95[illegible] (the 1984 PL 480 account.) MAPUTO 3514, dated 12/04/85, reports this information to REDSO and AID/W as final. The presumption is that this amount of L/C generations has been accepted by all parties as correct and final, and that there will be no additional deposits, and that none are required.

126

ANNEX 2. LOCAL CURRENCY GENERATIONS

A. 1986 CIP:

1. Amount of Grant: $9,570,000.00

2. Modalities of deposit and generation: The GPRM is to establish a special account in the BPD to contain the sales proceeds accruing to the government under this agreement. Deposit mechanisms and methods for calculating the L/C requirement are identical to those pertaining to the 1985 CIP, with the following exceptions:

--The list of commodities to which the surcharge may be applied is expanded, and

--In the event that a price increase occurs, any price increase, plus the surcharges, must be deposited into the account.

3. Amounts to be generated: Assuming 1) that there is no devaluation of the metecal prior to the import of the commodities, 2) that there are no purchaser price increases over the marketing period, and 3) the surcharge is not increased, this program will generate Mt 400 million (the CIF value) plus surcharge amounts of (approximately) Mt 600 million, for a total L/C deposit requirement of Mt 1.0 billion. (This is the minimum that will be generated: it is quite likely that the actual amount generated will be four times as much, as there may be a subantial devaluation of the metecal prior to importation of the commodiites.)

B. 1985 CIP.

1. Amount of Grant: $12,000,000.00

2. Modalities of deposit and generation: The L/C generated under this program is being deposited in the BPD account No. 152331. Calculation of the total amount of L/C to be deposited is only slightly more complicated that under the 1984 CIP. Per the Agreement, and the PIL's, the CIF value of the imports, plus the surcharge (as applicable) is to be deposited in the account, except for items that are not to be sold in country. In the case of an import brought in by a private sector importer, that importer must pay the CIF cost, converted to metecais at the official rate on the date that the BOM receives the shipping documents, within 30 days. Later on, after the commodity has been sold domestically, the GPRM collects the "surcharge" (presumably from the purchaser through the retailer) and is to deposit this amount into the special account. In the case of a public or parastatal importer, that

127

importer must pay the CIF value of the import, plus the applicable surcharge directly into the account. In the event that an imported item is not sold, the (public sector) importer must pay the CIF value of the item only into the account. The BOM reportedly simply debits the account(s) of the importer(s) for the amount owed (at least for the CIF value) and credits the account 152331 directly.

The Agreement language is somewhat contradictory and confusing on the methodology for calculation and the L/C requirement. The use of the term "sales proceeds" confuses the issue, insofar as those sales proceeds are defined precisely in subsequent sections, and as the term does not mean what it normally means. In addition, the section of the Grant Agreement dealing with unencumbered balances 12 months from the terminal disbursement date does not seem to add anything.

Letters of Commitment for the imports under this program are being issued directly by USAID/Swaziland to each of the suppliers.

3. Amounts to be generated: To date, imports amounting to approximately $6.0 million have arrived in country, and local currency amounting to approximately Mt 230 million has been generated and deposited. However, none of the surcharge amounts have been credited to the account. Insofar as the surcharge is applicable to most items imported under the CIP, and insofar as this "sobretaxa" amounts to on average, 100 percent of the retail price of each item (which by that time is marked up by approximately 50 percent over the CIF value), the account will receive, when all imports have been completed, (a) the CIF value of $12 million (Mt 480 million) plus (b) 150 percent of the CIF value (Mt 720 million) for a total of 1.2 billion metecais.

With the exception of the surcharge amounts which have yet to be credited to the account, the required desposits would appear to be appearing in the account, on a regular basis.

ANNEX 2. LOCAL CURRENCY GENERATIONS (continued)

C: 1984 CIP:

1. Amount of Grant: $6,000,000.00

2. Modalities of deposit and generation: Although the Agreement language specifies that the special account will be opened in the BOM, the BOM reportedly declined to maintain such an account, and the account (No. 152289) was eventually opened in the Banco Popular de Desenvolvimento (BPD). Caluclation of the amount required to be deposited into the account is relatively simple: the CIF value (cost) of the import, converted at the highest legal rate of exchange on the date of disbursement of the dollar funds. Although a surcharge is to be applied to tractors, tractor implements and vehicles brought in under this agreement, the surcharge amounts are not deposited into the special account, and reverts to general revenues. (The agreement language is somwhat contradictory on these points in that one section mentions "sales proceeds" and [illegible] method of calculating the [illegible] account deposits.)

All letters of commitment issued under this program were issued bu AID/W to the Morgan Guarrantee Trust (L/Comms 1 & 2) or to the importers directly.

3. Amounts to be generated: The 1984 CIP was for a total of $6.0 million, of which over $5.9 million has been disbursed. This has generated approximately 240 million metecais, which have been deposited into the special account. The total expected generations are 250 million metecais.

D. 1986 Title I.

1. Amount of Loan: $10.4 million (soon to be increased to 13.9 million.)

2. Modalities of deposit and generation: Insofar as no specific method for calculating the amount of local currency required under this agreement is specified in the Agreement itself, or the Minutes of Negotiation, the standard formula applies. The sum of the CCC disbursements, each converted on the date of disbursement at the [illegible] legally obtainable in Mozambique (the [illegible] minus any CUP payment made, is the total amount required. The original agreement amounted to $10.4 million, and this is soon to be amended to add an additional $3.5 million in funding, for a total of $13.9 million. At the current exchange rate of Mt40=$1.00, the total dollar financing translates into approximately MT 590 million to be deposited and programmed from the special account. Presumably, the GPRM will open a new account in the Banco Popular de Desenvolvimento (BPD) for the 1986 PL 480 Title I and II local currency.

129

ANNEX 2. LOCAL CURRENCY GENERATIONS (continued)

3. Amounts to be generated: $10.4 million will generate approximately Mt 440 million; when the additional funding is expended, another 150 million will be generated, for a total of Mt 590 million, assuming that no devaluation of the currency takes place by the end of the US fiscal year 1986.

E. 1985 Title I.

1. Amount of Loan: $21.0 million

2. Modalities of deposit and generation: Calculation of the amount of L/C to be deposited is performed using the traditional formula of CCC disbursements, at the highest legal exchange rate, minus the CUP, yielding the total amount. (The GPRM has confirmed that their calculations of L/C will take into account the dollar disbursements for ocean freight, converted to metecais.) Approximately Mt 880 million should be generated and deposited into the special account. However, as of 12/04/85, only 461,076,440.50 metecais had been deposited, in account No. 20.00.41.576.958/6 in the BPD. (Note that this account contains both Title I and II L/C generated under FY 1985 Agreements.) Approximately Mt 420 million remain to be deposited in this account under this program.

3. Amount to be generated: Mt 880 million.

F. PRIOR TITLE I AGREEMENTS: The 1979 Title I Agreement generated 152,023,197.90, all of which has been reported by the GPRM as having been spent. The 1980 Title I Agreement generated 285,309,869.04, all of which likewise is reported as having been spent. These programs are considered to have been completely implemented, and all L/C generated and expended.

G. 1986 TITLE II: Local currency generations are a function of the local sales price of the commodities imported, currently Mt 13/kg for cereals. Approximately 42,500 MT of commodities is expected to generate approximately 560 million metecais.

H. 1985 TITLE II (TA 5609, dated January 23, 1985): Local currency deposited as of December 4, 1985 totalled 301,117,440 metecais, and has been deposited into account No. 20.00.41.576.958/6 in the BPD. It is unclear whether or not there will be or should be additional deposits, but there is a strong presumtption that there should be.

I. 1984 TITLE II (TA 4608, as amended): Sales proceeds generated: 344,360,000 metecais have been deposited into BPD account No. 20.00.41.476.957/9 (the 1984 PL 480 account.) MAPUTO 3514, dated 12/04/86, reports this information to REMC and AID/W as final. The presumption is that this amount of L/C generations has been accepted by all parties as correct and final, and that there will be no additional deposits, and that none are required.

130