

UNCLASSIFIED

# Annual Budget Submission

FY 1989

## MOZAMBIQUE

BEST AVAILABLE

May 1987



Agency for International Development  
Washington, D.C. 20523

UNCLASSIFIED

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**TABLE OF CONTENTS**  
**MOZAMBIQUE FY 1989 ANNUAL BUDGET SUBMISSION**

	<b>Page</b>
<b>Action Plan</b>	<b>1</b>
<b>Table I</b> <b>Long Range Plan</b>	<b>12</b>
<b>Table III</b> <b>Project Detail by Account</b>	<b>14</b>
<b>Table IV</b> <b>Project Budget Data</b>	<b>15</b>
<b>AFR Table I</b> <b>Actual Management Units</b>	<b>16</b>
<b>AFR Table II</b> <b>LOPC and PACD Extensions</b>	<b>17</b>
<b>AFR Table IV</b> <b>PVO Activities</b>	<b>18</b>
<b>AFR Table V</b> <b>Private Sector Activities</b>	<b>19</b>
<b>AFR Table VI</b> <b>Centrally Funded Activities</b>	<b>20</b>
<b>New Project Narrative</b>	<b>21</b>
<b>Private Sector Support (656-0206)</b>	
<b>Table V</b> <b>Priority Ranking of FY 1989 Programs</b>	<b>23</b>
<b>Local Currency Use Plan</b>	<b>24</b>
<b>Table VI</b> <b>Expenditures of Local Currency</b>	<b>32</b>
<b>Table VII</b> <b>Evaluation Plan</b>	<b>33</b>
<b>Operating Expense Narrative</b>	<b>34</b>
<b>Table VIII</b> <b>Summary Tables</b>	<b>39</b>
<b>Table VIII-B</b> <b>PSC Costs</b>	<b>45</b>
<b>Table VIII-C</b> <b>Other Code 25 Detail</b>	<b>46</b>
<b>Table VIII-D</b> <b>Manpower Contract Detail</b>	<b>47</b>
<b>Table VIII-E</b> <b>Obligations for Computers</b>	<b>48</b>
<b>Table VIII-F.1</b> <b>Report on Motor Vehicles</b>	<b>53</b>
<b>Table VIII-F.2</b> <b>Motor Vehicle Operations</b>	<b>55</b>
<b>Table VIII-G</b> <b>Information on USDH</b>	<b>56</b>
<b>Table VIII-H</b> <b>IDI Staffing</b>	<b>57</b>
<b>Table VIII-I</b> <b>FSN &amp; TCN Staffing</b>	<b>58</b>
<b>Table VIII-J</b> <b>Part Time Staffing</b>	<b>59</b>
<b>Table VIII-K</b> <b>Information on U.S., Foreign and TCN</b>	<b>60</b>
<b>P.L. 480 Narrative</b>	<b>61</b>
<b>Table XI</b> <b>P.L. 480 Title I/III Requirements</b>	<b>64</b>
<b>Table XII</b> <b>P.L. 480 Title I/III Supply &amp; Distr.</b>	<b>65</b>
<b>Table XIII</b> <b>P.L. 480 Title II</b>	<b>66</b>
<b>Mozambique Privatization Plan</b>	<b>67</b>
<b>AMDP III Country Training Plan</b>	<b>69</b>

## ACTION PLAN

### I. Strategy Recap and Policy Agenda.

In the absence of an approved CDSS and a long-term development strategy, Office of the AID Representative to Mozambique (OAR/Maputo) will continue to pursue the following short-term objectives:

- to provide emergency humanitarian assistance to "at-risk" populations affected by civil strife, drought, and an atrophied economy, in such a manner as to: (a) help reduce the food deficit --- through the provision of P.L. 480 and Section 416 commodities for commercialization and free distribution to urban and rural populations; and (b) provide logistics and relief supplies --- through OFDA funds to assist in satisfying the non-food needs of the "at risk" populations;
- to promote the development of the private sector, by demonstrating and expanding the dynamic productive capacity of private (commercial), family, and cooperative farmers through a commodity import program; and
- to promote privatization and assist public and private institutions which support directly private sector growth through selected technical assistance activities (utilizing bilateral, regional, and central funds).

These objectives are supported directly by the current program under implementation which includes the P.L. 480 Title II program, Section 416 donations, the currently ESF-funded Private Sector Rehabilitation program, and OFDA resources, as well as AFGRAD and AMDP.

The Government of the People's Republic of Mozambique (GPRM) announced in January 1987 an economic rehabilitation program developed in consultation with the IMF and the World Bank and implemented in consonance with the structural adjustment program and policy framework paper formulated by the parties. AID was instrumental in encouraging the parties to come to an agreement and is supporting the implementation of the economic policy reform package, stressing the need to pursue additional liberalizations in the economy, privatization of state and intervened firms, and continued tangible support to private sector activities.

Generally, the OAR/Maputo's policy agenda is to support the fiscal and policy reforms included in the IMF/World

Bank economic reform package and to facilitate the creation of an increasingly more market-oriented economy. Specifically, the OAR is concerned with the implementation of the following policy measures (with emphasis on the rehabilitation of the private sector):

- \* Liberalization of agricultural prices;
- \* Increase private sector participation in the production and marketing of agricultural inputs; and
- \* Privatization of state and intervened firms.

## II Overall Progress and Implications.

The OAR objectives in Mozambique are to provide emergency humanitarian food assistance, promote the development of the private sector, and assist public and private institutions which support directly the private sector.

Since 1983, the GPRM has gradually (and continuously) adopted policy reforms aimed at reversing the precipitous decline of its economy. Between 1984 and 1986 policies were adopted which affected economic management, agriculture, non-agricultural enterprises, mining, labor, and property ownership and tenure. In the agricultural sector, the GPRM shifted land from state farms to private commercial and family farmers, increased the resources available to the private farmers, eliminated price controls on almost all fruits and vegetables, and established substantially higher prices for other agricultural products. Despite economic rehabilitation and policy realignment efforts, economic activity in Mozambique continued to experience a dramatic decline.

In 1984, in response to the GPRM policy changes giving priority to the private sector and in recognition of Mozambique's effort in promoting Southern Africa regional stability, U.S. foreign assistance evolved from a strictly relief and humanitarian program to one that had a discrete development element focused on the agricultural private sector. The rehabilitation of the private sector remains the keystone of the our program. Evaluations have verified that, over the past three years, AID inputs have been critical to help farmers in the target areas to demonstrate their productive capacities and have reinforced the GPRM's resolve to integrate private farmers more fully into the economy.

Two evaluations of the Commodity Import Program (CIP) have confirmed that inputs were appropriate technologically, were provided in a timely fashion, reached the targeted

farmers, and were used effectively. As a result, the GPRM continues to make land available to and facilitate the purchase of equipment and other inputs by the family, cooperative, and private commercial farmer. The liberalization of prices for fruits and vegetables, coupled with the provision of agricultural inputs, resulted in an improved diet and increased availability of produce in the rural and urban markets of southern Mozambique.

The humanitarian assistance program has been responsive to U.N. and Mozambique appeals to meet continuing food deficit created by poor economic performance, civil strife and the residual effects of a five-year drought. From 1985 to 1987, at an annual assistance level of approximately 150,000 metric tons, the United States was Mozambique's largest food aid donor. In 1987, however, all food aid was provided on a grant basis, averting an increase in the nation's already staggering debt burden. While food was provided on a more concessional basis (in prior years, at least one half of food aid was Title I sales) conditionality was not required in 1987.

Tripartite agreement with Zimbabwe was used successfully in FYs 1986 and 1987 to expedite food procurement and encourage regional trade (a less successful tripartite --- form the timely delivery point of view --- with Malawi was negotiated in FY 1986). Food swaps or purchases have also been adopted by other food aid donors such as Australia Canada, the EEC and WFP.

Through OFDA and the African Supplemental appropriation, grants were made to CARE to provide technical assistance, heavy vehicles and transport equipment to the Mozambican disaster relief department (DPCCN). This enabled the GPRM to enhance its capability to distribute food and other relief supplies to the population at-risk, as well as control and account for such distribution.

The implementation of a discrete technical assistance program also commenced in FY 1985. Through this grant AID is able to finance assistance and training to private farmers and firms, government intervened industries trying to return to the private sector, and public sector institutions directly supportive of private sector growth.

Under this program, assistance was provided to the Bank of Mozambique (to improve debt and external operations management) and to the Ministry of Mineral Resources (to analyze the extraction level for ammonia and oil, seek investors for an ammonia plant and oil exploration). In addition, a study for the Ministry of Construction, aimed at the restructuring and the eventual privatization of the construction and building materials industry, is scheduled

to start mid-1987. Two additional activities -- contracts with private sector firms -- will ensure after sales servicing and preventive maintenance for equipment imported under the CIP and other agricultural machinery owned by private sector farmers.

During mid-1987, two new activities will be developed: (a) to provide the Ministries of Finance and Planning as well as the Bank of Mozambique, with the equipment and consultancies needed to implement the structural adjustment program; and (b) to provide assistance (via the International Executive Service Corps) to three private firms.

A recent evaluation of the technical assistance effort confirmed delays in program implementation and recommended the assignment of a full-time Project Development Officer (BS-94) to provide project activity identification, design, contracting, and implementation assistance to OAR/Maputo and the GPRM. The PDO also will develop contacts with the indigenous private sector to insure that program design takes its need into consideration. Further, the evaluation indicated that, if there is no additional project management assistance, there should be no any new technical assistance activities, with some \$600,000 in technical assistance funds transferred to the CIP.

Both the P.L. 480 and the commodity import programs generate local currency. Until FY 1987, only a small amount of the counterpart funds were programmed. In FY 1987, OAR/Maputo requested a study aimed at improving the management of the local currency and identifying areas of opportunity for the programming of the counterpart funds. The local currency study is being prepared at the time of this writing. However, preliminary recommendations include the following:

- that local currency generations not be used during the first year of the IMF's Structural Adjustment Program;
- that generations be programmed (as agricultural and industrial credit to private enterprises) after consultation with the IMF in Washington and in Maputo, with an agreement on the amount to be included within the credit framework;
- that the GPRM needs to establish mechanisms to account for all local currency generations; and
- that the OAR/Maputo needs to have a financial person on board to monitor local currency generations.

In January 1987, the GPRM adopted a series of economic

reforms developed in collaboration with the IMF and the World Bank. The initial step was an increase in the interest rates from three percent to twenty per cent. Subsequently, the metical was devalued 426 percent against the dollar.

The devaluation of the currency was accompanied by other economic adjustments affecting almost all sectors of the economy: salaries increased by 50 percent, prices for food staples increased by an average 50 percent, transportation increased 400 percent, and fuel 700 percent. New taxes were levied and the larger salaries created progressively higher individual tax liabilities. In March 1987, the GPRM announced an increase in producer prices for corn, groundnuts, beans, rice, mapira, and sesame, ranging from 208 percent for corn to 413 percent for sesame.

### III. Program Targets.

**Target:** To support economic reforms through balance of payment assistance.

The most significant economic event in recent years was the comprehensive economic reform package announced by the GPRM in January and February 1987 and the initialing of a Structural Adjustment Facility with the IMF in April 1987. The economic reforms affect all sectors of the economy and established tough targets and policy measures to rehabilitate the Mozambican economy.

In 1987, the food deficit --- a result of civil strife a stagnant economy and drought --- is estimated at 700,000 metric tons. Mozambique is expected to produce 50,000 metric tons to be marketed internally. The GPRM is unable to meet its requirement for imported food and depends on the donor community to meet the food gap.

The P.L. 480 Title II program meets approximately 30 percent of Mozambique's food deficit. In addition to the immediate humanitarian concern of providing food for 3.8 million people at-risk, there is an additional two million urban dwellers who are dependent on non-existent market supplies. The P.L. 480 program provides direct balance of payment support and generates an equivalent amount in local currency counterpart funds.

The commodity import program helps the private sector demonstrate its dynamic production capacity in the agricultural sector and allows it to contribute significantly to the Mozambican economy. It also supports the economic rehabilitation program by providing balance of payment support for developmental purposes and generating local currency counterpart funds to be used in a private sector agricultural/industrial credit program.

**Program Agenda:**

- \*\* Continuation of the IMF program.** The IMF/World Bank program provides a framework for economic recovery and donor coordination.

**Management Steps:**

Consult with the IMF and the World Bank, both in Washington and the field regarding Mozambique's performance in the economic recovery program.

Continue policy dialogue regarding further privatization of intervened firms and liberalization of prices.

**Benchmarks:**

IMF/World Bank program fully implemented. Counterpart funds programmed in consultation with IMF.

- \*\* Provision of all AID assistance to Mozambique, including food aid, on a grant basis.**

**Management Steps:** AID/W should reiterate its determination that Title II programs will be used to support the GPRM undertaking in regard to the structural adjustment program. However, we must recognize legislative mandates governing the use of local currencies generated by the sale of Title II emergency resources.

**Benchmarks:** P.L. 480 Title II programs for Mozambique in FYs 1988 and 1989.

**Target:** To promote and support private sector activities.

In the past two years, the GPRM has made considerable progress in modifying its policies to promote private sector participation in the economy. However, with the possible exception of the agricultural sector, the reforms have had limited success in attracting new investment and in increasing significantly private sector participation in the economy.

**Program Agenda:**

- \*\* Continue discrete support of studies and activities promoting the development of the private sector until funds currently obligated are exhausted.**

**Management Steps:**

Given the constraints to implementing technical assistance, the OAR/Maputo will seek the establishment of a Project Development Officer position to manage the technical assistance portfolio and maintain a continuous dialogue with the indigenous private sector.

Additional funds for technical assistance will not be requested in FY 1988 or 1989 within the current AAPL. To the extent that funds become available in excess of \$10.0 million, we will undertake (A) the expansion of the CIP into new geographic areas and into export vegetables and products; and (B) the design and implementation of a technical assistance program.

**Benchmarks:**

No additional obligations of funds for technical assistance in FYs 1988/89 within \$10.0 million AAPL.

A USDH (backstop 94) in place by late FY 1987 or early FY 1988.

**IV Workplan.****A. New Starts and Delegations Requested.**

In FY 1988 the fifth and last increment of the on-going Private Sector Rehabilitation Program will be designed. Delegations of authority for field approval of the program will be requested in due course.

One new start is proposed for FY 1989 --- the Private Sector Support Program - CIP, 656-0206. The project will continue the activities started in FY 1984 under the Private Sector Rehabilitation Program and replicate them in other selected areas. The program will be designed as a four-year effort for a total of \$40.0 million to be obligated in \$10.0 million increments. OAR/Maputo proposes that the PAIP be reviewed by AID/W and the PAAD be reviewed and authorized in the field under DOA 551, as amended.

**B. Major Design Issues and Tentative Design Schedule.**

Under the Private Sector Rehabilitation Program an annual evaluation, PAIP and a PAAD were required. This decision imposed an excessive burden upon OAR/Maputo and regional support staff. Therefore, we propose that the Private Sector Support Program be designed as a four-year effort and that only the annual evaluation be required, with PAAD amendments required only for modification of the program.

### C. Evaluation Schedule for FY 1988:

The entire OAR/Maputo portfolio was evaluated in FY 1987, including the P.L. 480 program, both the CIP and the technical assistance components of the Private Sector Rehabilitation Program, and local currency generation/management. Consequently, in FY 1988, the only evaluation scheduled is for the Private Sector Rehabilitation III Program (CIP).

### D. Studies Schedule:

A Private Sector Assessment was planned for FY 1987. However, due to the absence of a Regional Economist in USAID/Swaziland, the Private Sector Assessment has been rescheduled for FY 1988.

### E. Management Improvements:

Program Rationalization. The commodity import program will continue to be the hub of our development assistance program in Mozambique. The initial Private Sector Rehabilitation Program is scheduled to end in FY 1988 and the follow-on CIP to start in FY 1989. We will accelerate the implementation of the technical assistance program and will plan a follow on TA activity only if funding levels in addition to \$10.0 million is forthcoming. The Title II program and emergency assistance will be continued but we intend to place emphasis on shifting these resources to assist vulnerable groups and development activities.

Staff Alignment. With the arrival of the Program Officer in August 1986, the Office of the AID Representative reached its authorized 5 USDH ceiling. As recommended in the evaluation of technical assistance activities, we are requesting the immediate assignment of a Project Development Officer to concentrate on implementation of the technical assistance portfolio. A USDH controller also is being requested to address the budget and financial management considerations of the program, operating expenses, and local currency generations/ expenditures. We also foresee the need for a transport engineer slot to implement the regional transportation programs as it relates to (A) Mozambique projects --- Beira and Maputo Corridors, and (B) liaison with the Ministry coordinating the SADCC transport sector.

Improved Utilization of FSNs. All full-time non-USDH employees have been locally contracted and are either Mozambican nationals or long-term residents of Mozambique. In this connection, in FY 1986, Mozambicans were placed in two positions previously occupied by

non-Mozambicans and efforts are being made to recruit an all Mozambican staff. By FY 1989, we intend to transfer the accountant and the senior program specialist (both Mozambican) from PSC to direct-hire FSN positions.

Use of PVOs. Currently CARE, Mission Aviation Fellowship, and World Vision are cooperating with the GPRM in the emergency relief efforts. Due to rural insurgency, neither has established development programs nor proposed regular Title II programs. These three PVOs received OFDA funding of their operations in Mozambique. In addition, AFRICARE and Save the Children Foundation have established offices in Mozambique. We have encouraged them and other PVOs to undertake operations in Mozambique to the extent that these are permitted by the security situation. All PVOs will be encouraged to get involved in development activities, especially in the fields of health and agriculture. Future financial support, as in the past, for PVOs will have to come from central or regional sources, as the \$10.0 million bilateral program is totally committed to the CIP.

Operating Expense Savings. The Office of the AID Representative to Mozambique receives (as a trust fund) 3.5 percent of the local currency generated from the commodity import program. We have increasingly covered as much of the local expenses as possible, given the limitations on the use of local currency in Mozambique. The trust fund is used to pay some of our rents; all utilities, telephone, small services; some local procurement; and a portion of local salaries. We anticipate that, with the phased devaluations under the IMF/World Bank structural adjustment program, the metical will gain value and use of these funds for local administrative costs will increase considerably. Consequently, we have requested the GPRM to increase the trust fund contribution from 5.5 to 7 percent.

Local Currency Management. In FY 1987 we started to tackle the problem of local currency management. A major study completed in May 1987 --- the final report will be available in July --- will be the basis for an AID/W review of the use of the counterpart funds generated by the CIP and P.L. 480 programs. The study also addresses the management of the local currency by the GPRM, as well as OAR/Maputo.

Pipeline/Mortgage Issues. The nature of the AID program in Mozambique precludes the creation of unmanageable pipeline or mortgages. The CIP with its annual authorizations and its rapid disbursement mechanisms is the hub of our program here. The small and slower disbursing technical assistance portfolio was evaluated in FY 1987. The evaluations contains specific recommendations to accelerate the use of funds made

available for technical assistance programs or to reprogram them to the CIP. Thus, we do not anticipate any pipeline or mortgage issues.

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

The CIP nature of most of the Mozambique program, the requirement for language qualified consultants, and the elimination of additional TA in FYs 1986 and 1987, have reduced the prospects for participation of Gray Amendment entities. However, we are making every effort to provide priority consideration to such organizations in the use of our PMR funding and through use of the AFR/PRE funds for private sector surveys/assessments..

**V. Issues Requiring Bureau Action.**

**Issue: Extent to which AID should support the Structural Adjustment Program with additional funding levels.**

In consultation with the IMF and the World Bank, the GPRM has embarked in a serious structural adjustment program under which substantial economic policy reforms have been adopted. Many of the reforms announced by the GPRM are focused on encouraging the development of the Mozambican private sector as well as foreign investment.

At the time of such significant reforms, the funding levels for the Private Sector Support program has decreased (from j\$12.0 million in FY 1985) to a \$10.0 million level, only showing minor ( 2-5 %) increase in the out years.

We believe that it is in the U.S. interest to increase support to the private sector in Mozambique in manner commensurate with the additional effort being made by Mozambican and its policy reform program. At the Consultative Group Meeting scheduled for July, we suggest that an additional pledge of \$5.0 - 7.0 million to be included in the FY 1988 program. The source would be the DA or ESF-funded bilateral funds, the AEPRP, or the Southern Africa Initiative Fund.

**Issue: Continuation of the technical assistance effort.**

The technical assistance program in Mozambique has been quite slow in implementation. The number and nature of activities funded under the program have imposed a heavy management burden on OAR/Maputo's

reduced staff resources. A recent evaluation recommended that, even without additional funds, a USDH Project Development Officer be assigned to Maputo to work exclusively on implementation of the activities under the current technical assistance program and to provide a liaison with the private sector (to develop future activities more specifically tailored to their particular needs). If adequate staff resources to manage our technical assistance portfolio (and to design the follow-on Private Sector Support Program) were not to be made available, OAR/Maputo recommends that additional technical assistance projects/programs not be approved for Mozambique and that technical assistance funds not yet committed be reprogrammed to the CIP component.

**Issue: Utilization of the U.S. generated local currency.**

The utilization of the local currency generated through our programs remains an important issue for the Mozambique program. The recent study regarding the utilization and management of the local currency will be reviewed by AID/W and instruction will be provided to the field regarding whether the local currency should or should not be used in support of the IMF and World Bank structural adjustment program. In any event, the use of the local currency generated under Title II resources and CIP should be consistent with both the legislative mandate and the efforts undertaken under the structural adjustment program --- even at the cost of sequestering some of these funds during the duration of the three-year program.

**Issue: Clarification of Congressional Restrictions.**

The preeminent issue which has an impact on the Mozambique program involves the Congressional mandate to target assistance "to the maximum extent practicable" to the private sector. To date, this restriction has been interpreted as assisting exclusively the private sector. In this connection, the OAR/Maputo requests further clarification as to what extent could we support public sector activities. Specifically, in areas related to:

training future public sector leaders and technicians;

implementation of policy reform measures; and

assisting public sector firms essential to sector growth.



FY 1989 ANNUAL BUDGET SUBMISSION  
 TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT  
 (\$000)

	FY 1986 ACTUAL	FY 1987 ESTIMATE	---FY 1988 --- CP	--- ESTIMATE	FY 1989 AAPL	--- PLANNING PERIOD --- 1990	1991	1992	1993
P.L. 480									
TITLE I	13700	---	---	---	---	---	---	---	---
TITLE II	9631	30000	1618	30000	30000	---	---	---	---
HOUSING GUARANTIES	---	---	---	---	---	---	---	---	---
TOTAL PERSONNEL									
USDH WORKYEARS		5		5	5				
FNDH WORKYEARS		---		1	2				
IDI		---		---	---				

656 - MOZAMBIQUE

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION  
(\$000)

APPROPRIATION ACCOUNT			FY 1987	FY 1988	FY 1989
Project No. and Title	L/G		ESTIMATE	ESTIMATE	AAPL
<b>ECONOMIC SUPPORT FUND</b>					
0201	Private Sector Rehab.	G	9,835	---	---
		APPROPRIATION TOTALS	9,835	---	---
		Grant	9,835	---	---
		Loan	---	---	---
<b>AGRICULTURE RURAL DEVELOPMENT &amp; NUTRITION</b>					
0206	Private Sector Support		---	10,000	10,000
		APPROPRIATION TOTALS	---	10,000	10,000
		Grant	---	10,000	10,000
		Loan	---	---	---

656 - MOZAMBIQUE

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE IV - PROJECT BUDGET DATA

BUREAU FOR AFRICA

PROJECT NUMBER AND TITLE	OBLIG DATE	-TOTAL COST- AUTH	PLAN	FY 1986	LINE	ESTIMATED U.S. DOLLAR COST (\$000)	FY 1987	FY 1988	FY 1989	ITEM CODE
				OBLIG THRU	PIPE	MORTGAGE	OBLIG- EXPEND-	OBLIG- EXPEND-	AAPL	
				FY 1986	LINE	FY 1987	ATIONS	ATIONS		
				ITYRES	ITYRES	ITYRES	ITYRES	ITYRES		

AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION

656-0201	G 84	1000	1000	1000	880	SUBCAT: FNZZ	505	---	375	---	PRZ
656-0206	G 89	92	---	40000	---	SUBCAT: FNCI	---	---	---	10000	PRZ

APPROPRIATION

TOTAL	1000	41000	1000	880	---	505	---	---	375	10000
GRANT	1000	1000	1000	880	---	505	---	---	375	10000
LOAN	---	---	---	---	---	---	---	---	---	---

ECONOMIC SUPPORT FUND

656-0201	G 84	88	39405	49405	29570	12180	SUBCAT: ESCI	9835	14000	---	5500	---	PRZ
690-0206.56	G 85	89	117	176	92	77	SUBCAT: ESZZ	25	75	---	52	30	PRZ
APPROPRIATION													
TOTAL	39522	49571	29662	12257	9860	14075	---	---	---	10030	5552	30	---
GRANT	39522	49571	29662	12257	9860	14075	---	---	---	10030	5552	30	---
LOAN	---	---	---	---	---	---	---	---	---	---	---	---	---

AFRICA BUREAU TABLE I  
 ACTUAL MANAGEMENT UNITS REQUIRED FOR MISSION AND PROJECT ADMINISTRATION - FY 1986  
 (In person months per year)

	U.S. PERSONNEL		FOREIGN SERVICE NATIONALS		THIRD COUNTRY NATIONALS		AID/W		
	USDH	PSC	FNSNDH	PSC	TCNDH	PSC	REDSO	TDY TOTALS	
	OE	Project	OE	Project	OE	Project			
<u>ADMINISTRATIVE FUNCTIONS</u>									
Program Management	12.0			17.9			1.0	2.0	32.9
Financial Management	2.0			12.0			4.0		18.0
Administrative Management	12.0			114.0			4.0		130.0
<u>PORTFOLIO FUNCTIONS</u>									
Bilateral Project:									
656-0201 (CIP)	9.0			12.0	24.0		4.0	1.5	50.5
656-0201 (TA)	2.0			1.0			4.0		7.0
Regional Projects:									
Regional Transport	.3			.3					.6
PMR	.2			.2			.2		.6
Centrally Funded Projects:									
AFGRAD	.5			3.0					3.5
Disaster Relief:	2.0			3.0				.5	5.5
Refugee Assistance:	1.0			3.0					4.0
Food for Peace:	8.0			22.0			2.0	.5	32.5
Local Currency:	1.0			6.0					7.0
Other:									
Totals	50.0			194.4	24.0		19.2	4.5	292.1

AFRICA BUREAU TABLE II  
FY 1989 ANNUAL BUDGET SUBMISSION

Modifications to Authorized and Planned  
Life of Project Cost and Project Completion Date

<u>Project Number</u>	<u>Project Title</u>	<u>Date of Initial Obligation</u>	<u>Authorized LOP (\$) in Project Agreement</u>	<u>Current LOP</u>	<u>Proposed Amendment to LOP (\$)</u>	<u>Original PACD in Project Agreement</u>	<u>Current PACD</u>	<u>Proposed PACD</u>
656-0201	Private Sector Rehabilitation:	9/28/84	40,405	40,405	50,405	9/30/87	10/31/88	9/30/89

AFRICA BUREAU TABLE IV  
FY 1989 ANNUAL BUDGET SUBMISSION

PVO ACTIVITY

Proj. Num.	Project Name	PVO Name (U.S./Non-U.S.)	Functional Account	Span of PVO LOP	PVO LOP for Total Project and % of Total	FY 1987 Obligations	FY 1988* Obligations	FY 1989* Obligations
	CARE - Logistical Support with National Calamities Unit (C)	CARE (U.S.)	IDA	86-88	N/A 100%	2,275	2,000	----
	World Vision - Operational costs for Emergency Food Distribution (C)	World Vision (U.S.)	IDA	86-88	N/A 100%	1,081	500	---- 18
	Mission Aviation Fellowship -- Relief Personnel Air Transport	MAF (U.S.)	IDA	86-88	N/A 100%	264	250	----

\* Represents estimated requirements for PVOs currently working  
in Mozambique for continuation of relief and food distribution assistance.

AFRICA BUREAU TABLE V

FY 1989 ANNUAL BUDGET SUBMISSION

PRIVATE SECTOR ACTIVITIES

Project Number	(Bilateral) Project Title	Implementing Organization (U.S./Non U.S.)	Functional Account	Private Sector LOP Span	Priv. Sect. LOP Total Project and % of Total	FY 1987 Obligations	FY 1988 Obligations	FY 1989 Obligations
656-0201	Private Sector Rehab.	CPRM (non U.S.)	ARDN/ESF	84-89	40,405	9,835	10,000	---
656-0206	Private Sector Support	CPRM (non U.S.)	ARDN	89-92	40,000	---	---	10,000

AFRICA BUREAU TABLE VI  
FY 1988 ANNUAL BUDGET SUBMISSION

REGIONAL AND CENTRALLY FUNDED ACTIVITIES (\$000)

<u>Project Number</u>	<u>Project Title</u>	<u>Implementing (U.S./Non-U.S.)</u>	<u>Functional Account</u>	<u>LOP (Yrs.)</u>	<u>LOP</u>	<u>FY 1987 Obligations</u>	<u>FY 1988 Obligations</u>	<u>FY 1989 Obligations</u>
<u>I. Directly Related to Mission Portfolio:</u>								
698-0463	African Manpower Development	GPRM (non U.S.)	EHR	87-91	1,500	150	300	300
698-0455	AFGRAD II	AAI (U.S.)	EHR	85-92	990	198	198	198
690-0266.56	Planning Management & Research	various	ESF	85-88	---	25	30	30
	CARE Logistical Support for National Calamities Unit	CARE (U.S.)	IDA	87-88	N/A	2,100	2,000	---
	WVRO - Operating Costs for Emergency Food Transport	WVRO (U.S.)	IDA	87-88	N/A	575	500	---
	MAF - Air Transport Support for Relief Personnel	MAF (U.S.)	IDA	87-88	N/A	264	250	---
	UNICEF - Vital Medical Supplies	UNICEF/GPRM	IDA	87-88	N/A	3,400	---	---
<u>II. Indirectly Related to Mission Portfolio:</u>								
690-0231	Regional Transport Dev.	GPRM (Non U.S.)	ESF	85-88	5,540	---	---	---

III. Not related to Mission Portfolio:

NONE

(NOTE: Funds for CARE, WVRO, MAF, and UNICEF are provided under the International Disaster Assistance rubric. Given the present conditions in Mozambique, we anticipate continuation of these programs in the future.

## NEW PROJECT NARRATIVE

Project Title: Private Sector Support  
 Project Number: 656-0206

Project Funding: FY 1989 - \$ 10,000,000 (DA Grant)  
 FY 1990 - \$ 10,000,000 (DA Grant)  
 FY 1991 - \$ 10,000,000 (DA Grant)  
 FY 1992 - \$ 10,000,000 (DA Grant)  
 LOPC \$ 40,000,000

**Development Problem Addressed:** Mozambique's macroeconomic performance is among the worst in the world. In January and February 1987, the Government of the People's Republic of Mozambique (GPRM) announced significant policy reform package developed in consultation with the IMF and the IBRD. These policy reforms impact on all sectors of the economy and specifically support the development of the private sector.

OAR/Maputo feels that the best means of achieving long-term economic growth is through the private sector and supports the GPRM's economic rehabilitation program, specifically its private sector initiatives and the encouragement of further movement towards a market economy.

The Private Sector Rehabilitation (PSR) program (FY 1984-88) provided support to the private agricultural sector and encouraged increased production by providing foreign exchange for agricultural production inputs needed by private commercial and family farmers. The last program evaluation --- completed in December 1986 --- corroborated that the private sector farmers have utilized extensively the equipment and the other inputs financed under the PSR program which resulted in a significant increase of agricultural production in the project area. The PSR has been a successful commodity import program and has had a substantial impact, both in revitalizing the private farming sector and in increasing production in the target regions.

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

**Project Purpose:** The purpose of the Private Sector Support program is to strengthen the productive capacity of private sector farmers in Mozambique --- through the provision of

agricultural inputs, capital equipment, implements, and the financing of raw materials to factories that manufacture agricultural implements and related materials. The objective of the program --- the hub of AID's development strategy for Mozambique --- is twofold: to demonstrate and expand the productive capacities of the private commercial enterprises (both farm and non-farm) and to increase the agricultural output of the private sector.

**Project Description:** The Private Sector Support (PSS) program will continue and build upon the assistance provided under the predecessor Private Sector Rehabilitation program. The PSS, however, will concentrate on addressing systemic problems and developing a commodity list that has the potential for the highest development impact for the country.

The Private Sector Support program will continue to supply recurrent inputs and capital equipment to private farmers who have been supported under the Private Sector Rehabilitation program. Farmers in other geographic areas also will be considered for assistance. These additional participating regions/areas will be identified during program design. At this time, it is estimated that approximately 20 per cent of the funds made available will be utilized for the importation of raw materials to be processed locally. The remaining eighty percent will be allocated for the importation of equipment, inputs, and implements for direct sale to the farmers in the program area.

**Policy Factors:** The proposed Private Sector Support program is consistent with AID's overall policy objectives. The program will support private sector activities as well as provide indirect support for privatization in Mozambique.

**Design Schedule:** The PAIP for the FY 1989 Private Sector Support Program will be completed by November 1988 (in conjunction with the evaluation of the Private Sector Rehabilitation Program). It is recommended that the PAIP team be composed of staff members from USAID/Swaziland, REDSO/ESA, and OAR/Maputo. It is anticipated that the PAIP will be reviewed in AID/W in December 1988.

The PAAD design will be undertaken in January 1989, utilizing the same staff composition as for the PAIP. It is recommended that the PAAD be reviewed and authorized in the field. The PAAD authorization is planned for the second quarter of FY 1989.

## FY 1989 - ANNUAL BUDGET SUBMISSION

## TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT: 656-Mozambique

Rank	Project Title	New/ Cont	Loan/ Grant	Program Funding (\$000)		
				Approp	Incr.	Cum.
1	0206 - Private Sector Support (CIP)	N	G	ARDN	10000	10000
2	PL02 - Govt. to Govt.	C	G	P2	(30000)	10000
3	PL02 - WVRO	C	G	P2	(7000)	10000
4	S416 - Section 416	C	G	S4	(7000)	10000

LOCAL CURRENCY USE PLAN

A study of the management and uses of local currency in Mozambique was conducted in May 1987. The study was conducted under two IQCs --- one with Price Waterhouse Associates and the other with Robert E. Natham Associates --- that provided a macroeconomist and a financial analyst. Although the final reports will not be available until mid-June 1987, the preliminary findings and recommendations were made in a draft document and at the exit conference. These preliminary findings have been utilized in the preparation of this Local Currency Use Plan. As AID/W has requested, upon presentation of a final report, OAR/Maputo will make definitive recommendations on programming of local currency for AID/W review and approval.

**A. Generations.**

Substantial amounts of local currency has been generated by U.S. funded programs in Mozambique since 1977. In the early years, local currency was generated through the P.L. 480 Titles I and II. Since 1985, the Commodity Import Program has also generated local currency. With the exception of the \$3.0 million granted for technical assistance in FY 1984 and 1985 under the Private Sector Rehabilitation Program, all other programs generate local currency. The combined P.L. 480 Title II and CIP for FY 1987 exceeds \$45.0 million. Thus, at least that amount will be generated in meticaís for the same period.

In consonance with Agency policy, all meticaís generated through the P.L. 480 and commodity import sales are deposited in special accounts at the Bank of Mozambique. These accounts are controlled by the Ministry of Finance and reviewed periodically by the Program Officer, OAR/Maputo and the Controller of USAID/Mbabane. Three and one-half percent of the CIP generations are transferred to a Trust Fund for OAR/Maputo administrative expenses.

Some weak areas were identified in the local currency study regarding the generating of local currency. Given its commercial nature, the Commodity Import Program has mechanisms in place to allow for full accountability of all local currency resulting from its sales. This is valid also for P.L. 480 Title I programs, where the value of the commodities financed under the loan are clearly identifiable and deposits into the special account are made soon after receipt of these commodities. The problem area, regarding generations, is with the monetized P.L. Title II emergency programs, both government-to-government and through a cooperating sponsor (World Vision).

The financial analyst was unable to produce accurate figures of all funds generated under the P.L. 480 Title II programs due to: (a) inappropriate record and poor accounting practices on behalf of the GPRM and World Vision; and (b) inadequate control and monitoring on behalf of the OAR/Maputo. In order to correct this weaknesses, it was recommended that (A) OAR/Maputo hire a full time financial analyst to deal with generations and expenditures of local currency, and (B) that the monetized P.L. 480 Title II be treated as a commercial transaction and accounted for much like the CIP or Title I commodities.

#### B. Local Currency Use.

Prior to 1984, local currency was programmed via attribution to the GPRM general budget. Since that time, however, local currency funds have not been programmed and have remained in special accounts. The only exception is the amounts transferred to the Trust Fund for use by OAR/Maputo to pay local operational expenses.

The demand for local currency has been quite low to date, since there is an excess of Mozambican local currency (metical) in circulation and not enough goods to purchase. Thus, the currency is virtually valueless. Additionally, since all development project proposed have at least a fifty percent foreign exchange component and GPRM development projects have been deferred resources are almost exhausted.

Regarding programming local currency within the GPRM/IMF structural adjustment program (SAP) credit ceilings, the local currency study notes that there should be no difficulty in accepting the IMF recommendation of "sterilizing" the local currency deposits at this time. As none of the generations were included within the economic framework used to determine credit and budget ceilings for 1987 they should not be programmed during the first year of the SAP. 1987 will be an extremely difficult and uncertain year of transition in light of the massive adjustments being implemented. It is only towards the end of the year that a clear picture would emerge as to the actual progress made toward elimination of the widespread distortions in pricing and resource allocation.

For the second year of the three-year SAP, up to 5 billion meticals, could be programmed --- provided that prior consultations with the IMF are held in Washington and/or Maputo to insure that the withdrawals are built into the credit and/or budget ceilings. For the third year of the

SAP, up to 10 billion meticaais could be programmed in the same manner. (For illustrative purposes only, in FY 1987 alone, we estimate that approximately 8.7 billion meticaais will generated at current exchange rate of 200:1).

The final report of the Local Currency Study should be available in Washington by July 15, 1987. OAR/Maputo strongly recommends that a full review of the report be conducted in AID/W, leading to a strategy on the use of local currency generations.

OAR/Maputo has developed, in consultation with the GPRM Ministry of Finance, a draft Memorandum of Understanding for the programming of counterpart funds. This document will be signed as soon as the final local currency study and the resulting programming strategy are discussed with the GPRM. A copy of the draft Memorandum of Understanding is attached.

**MEMORANDUM OF UNDERSTANDING**  
**BETWEEN THE**  
**PEOPLE'S REPUBLIC OF MOZAMBIQUE**  
**(REPRESENTED BY THE MINISTRY OF FINANCE)**  
**AND THE**  
**UNITED STATES OF AMERICA**  
**(REPRESENTED BY THE**  
**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT) (AID)**  
**FOR THE**  
**PROGRAMMING OF LOCAL CURRENCY GENERATED**  
**UNDER PROGRAMS FINANCED BY AID**

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The purpose of this Memorandum of Understanding is to set forth the understanding of the Parties hereto and to establish the procedures for the use of local currency (counterpart funds) generated through programs in Mozambique financed by the U. S. Agency for International Development (AID).

**Policy:**

The counterpart funds generated by AID-funded programs shall be used to finance development related activities in Mozambique, including the implementation of the specific self-help measures provided in the P.L. 480 Title I agreements. An agreed upon portion of the counterpart funds also will be used to defray administrative and operational costs of the Office of the AID Representative to Mozambique (through a trust fund) in accordance with the provisions of the Trust Fund Agreement dated August 27, 1985, as amended. The use of counterpart funds must be approved jointly by the Ministry of Finance and the Office of the AID Representative to Mozambique (OAR/Maputo).

**Generation and Deposits:**

Counterpart funds are generated by several programs financed by AID in Mozambique. The generation of counterpart funds is based on the conditions stipulated in the individual program agreements. This Memorandum of Understanding covers the procedures to be followed by the Ministry of Finance and the Office of the AID Representative to Mozambique, but does not supersede or modify the clauses in the individual program agreements. Accordingly, in the event of conflict between this Memorandum of Understanding and the provisions of individual agreements between the GPRM and AID, the individual project or program agreement shall govern. The current programs that generate counterpart funds are:

**Agricultural Private Sector Rehabilitation Program (CIP).**

The CIP generates counterpart funds from the sale of commodities imported under the program. The Ministry of Finance will insure that the appropriate GPRM ministry and/or agency effects, in a timely manner, the local currency deposits into the counterpart fund. Further, the Ministry of Finance will insure that the deposits include all the proceeds accruing to the GPRM from the sale of eligible items imported under the CIP. Except for the amount to be deposited into the AID-administered Trust Fund, all the counterpart funds generated under the CIP will be deposited in the special accounts established at the People's Development Bank for that purpose.

**P.L. 480 Title I Concessionary Sales Program.**

The P.L. 480 Title I program generates local currency from the sale of agricultural commodities imported under the program. The Ministry of Finance will insure that the appropriate GPRM ministry and/or agency effects the local currency deposits into the counterpart fund. Further, the Ministry of Finance will insure that the deposits include all the proceeds accruing to the GPRM from the commercialization of P.L. 480 Title I commodities; and that the amount is not less than the Commodity Credit Corporation (CCC) value of the commodities imported under the program. All the local currency generated under the P.L. 480 Title I program will be deposited into the special accounts established at the Bank of Mozambique for that purpose.

**P.L. 480 Title II Grant Program.**

The P.L. 480 Title II program provides agricultural commodities on a grant basis for commercialization and free distribution. The Ministry of Finance will insure that the appropriate GPRM ministry and/or agency effects the local currency deposits into the counterpart fund. Further, the Ministry of Finance will insure that the deposits include all the proceeds accruing to the GPRM from the commercialization of the P.L. 480 Title II commodities. All the local currency generated under the P.L. 480 Title II program will be deposited into the special accounts established at the Bank of Mozambique for that purpose.

**Programming of Counterpart Funds:**

The Ministry of Finance and the Office of the AID Representative to Mozambique share the responsibility for programming the use of counterpart funds generated through the AID-funded programs.

At the beginning of each calendar year, the Ministry of Finance and the Office of the AID Representative to Mozambique agree to jointly develop an Annual Budget Plan for the counterpart funds. The Annual Budget Plan will include all activities and amounts to be funded during the budget year as well as the source of funding for each activity (P.L. 480 Title I, P.L. 480 Title II or CIP). The Annual Budget Plan must be approved and signed by authorized representatives from the Ministry of Finance and the Office of the AID Representative to Mozambique before entering into effect, and may be amended by agreement of the parties.

The activities included in the Annual Budget Plan should be in accord with the targets established by the GPRM/IMF/IBRD Structural Adjustment Program and will adhere to the following criteria:

- \* Relief and humanitarian activities (including operational costs) conducted by the GPRM, U.S. Private Voluntary Organizations, non-governmental organizations, as well as religious and private institutions.
- \* Implementation of the self-help measures included in the P.L. 480 Title I Agreements.
- \* GPRM development projects and activities that directly support agriculture, road transport and

fisheries, -- especially those activities that support directly the development of the Mozambican private sector.

- \* AID-sponsored development projects and activities.
- \* Other donor-sponsored development projects and activities (excluding activities sponsored by any of the non-Free World countries) that directly support agriculture, road transport and fisheries, -- especially those activities that support directly the development of the Mozambican private sector.
- \* Provision of short-term agricultural credit to private commercial, cooperatives, and family farmers through a banking institution.
- \* Provision of short and medium-term credit for the rehabilitation of private sector enterprises and/or for the privatization of parastatals or intervened industries.
- \* Emergency and other activities as may be agreed upon by the Ministry of Finance and the Office of the AID Representative to Mozambique.

#### **Disbursement of Counterpart Funds:**

All disbursements from the counterpart special accounts require prior written approval from the Ministry of Finance and the Office of the AID Representative to Mozambique, and may be effected only following establishment of the Annual Budget Plan.

#### **Reports:**

The Ministry of Finance agrees to submit to the Office of the AID Representative to Mozambique quarterly status reports on all the counterpart fund special accounts. These reports should indicate (for each account) the opening balance at the beginning of the period, all deposits and date of deposits, as well as all withdrawals from the account.

The Ministry of Finance agrees to request from the organizations that receive AID-generated counterpart funds quarterly progress and expenditure reports. The reports should detail expenditures by major budget category and other information as required by the Ministry of Finance.

The Ministry of Finance agrees to submit to the Office of the AID Representative to Mozambique quarterly disbursement reports. The reports should specify source of funds (P.L. 480 Title I, P.L. 480 Title II, or CIP), year of generation, and account number, amount and date of transfer, activity, recipient organization, as well as identify any problem related to the management of the funds.

The quarterly reports should be prepared for the period of January-March, April-June, July-September, and October-December, and submitted to the Office of the AID Representative to Mozambique within twenty days following the end of each quarter.

**Audits and Inspections:**

The Ministry of Finance agrees to perform periodic audits and inspections of the activities funded with counterpart funds to insure that the funds are being used properly and in accordance with the intended purpose. The Ministry of Finance also agrees to share with the Office of the AID Representative to Mozambique the results of all audits of projects and activities funded with counterpart funds.

AID may perform, from time to time, audits and inspections regarding the management and utilization of AID-generated counterpart funds. AID agrees to share with the Ministry of Finance the results of all audits performed in connection with the counterpart funds.

Signed on this \_\_\_\_ day of \_\_\_\_\_, 1987.

FOR THE MINISTRY OF FINANCE

FOR THE OFFICE OF THE AID  
REPRESENTATIVE

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National Budget Director

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AID Representative

## FY 1989 ANNUAL BUDGET SUBMISSION

Table VI - Expenditures of Local Currency Generations  
(all in the U.S. dollar equivalent, and in \$ million)

Source/Purpose	1986 ACTUAL	1987 ESTIMATE	1988 PLANNED	1989 PROPOSED
I. DA/ECONOMIC SUPPORT FUND:				
A. Public Sector Activities	---	---	---	---
B. Private Sector Programs	---	---	---	---
C. Public Sector Recurrent Bud.	---	---	---	---
D. AID Operating Expenses	.070	.132	.145	.165
II. P.L. 480 :				
A. Public Sector Activities	---	---	---	---
B. Private Sector Programs	---	---	---	---
C. Public Sector Recurrent Bud.	---	---	---	---
D. AID Operating Expenses	---	---	---	---
<b>TOTALS</b>	<b>.070</b>	<b>.132</b>	<b>.245</b>	<b>.165</b>

NOTE: A local currency use plan will be developed following the review of the Local Currency Study in July 1987.

TABLE VII - LIST OF PLANNED EVALUATIONS  
 FY 1989 ANNUAL BUDGET SUBMISSION  
 COUNTRY/OFFICE - MOZAMBIQUE

Project List (Project No. & Title	Last Eval. Completed mo/yr	FY 1988		FY 1989		Reasons/Issues	Funding Source	USAID Person Days	Collateral Assistance
		Start (Qtr)	To (Qtr)	Start (Qtr)	To (Qtr)				
Private Sector Rehabilitation IV (656-0201C): CIP	---	1	1			PACD: 3/89 The program is a con- tinuation of PSR Phases I, II and III CIP. The evaluation will assess impact of the overall PSR CIPs. The evaluation also will make recommendations for the subsequent phase for FY 1988 obligation.	PMR	15	IQC: 15 days USAID/Mbabane 30 days, and AID/W 15 days

OAR/Maputo

Table VIII (a)  
Narrative

During FY 1987, OAR/Maputo was faced with five post assignments of which only two were planned. Despite these costs and a major upward adjustment in FSN salaries, and major renovations of the office building, the mission was able to live within its austere budget of only \$500,000. However, it will be necessary to postpone some expenses into FY 1988. This postponement, additional FSN staff and increased salaries, and more training of staff represent the bulk of the 15 percent increase in dollar requirements from FY 1987 to 1988. The slightly less than 20 percent increase from FY 1988 to FY 1989 is almost exclusively related to an increased number of FSN employees and additional travel requirements for USDH employees. It should be noted that it is expected that U500, office operations, will be slightly less in FY 1989 than in 1988.

Even though STATE 119668 provided the mission with a workforce of 5 USDH employees for the three fiscal years, there are programmatic and management requirements for three additional USDH employees for fiscal years 1988 and 1989. These includes a project development officer, a financial management officer (controller, B&A, or financial analyst), and an engineering officer (with a transport specialization). The budgets contained in this ABS do not include any costs --- post assignment, housing, etc ---- for these individuals. Consequently, the OAR/Maputo's budget will need to be adjusted accordingly (approximately \$90 - 100,000 per person) in order to cover their assignment costs.

Following is a more detailed narrative regarding the mission's operating expense requirements in FY 1987 to FY 1989.

#### 1. Reasons for Increase.

Expenses for U.S. direct hire personnel are obviously a reflection of the number of assigned personnel and associated costs. There were 5 post assignments, 2 home leaves, and no R&Rs in FY87; while in FY88 there should be no post assignments nor home leaves, but there will be 5 R&Rs. Also, with a change in personnel and their family status, we anticipate additional educational expenses (i.e. allowances and travel) and increased use of emergency visitations, and especially, medical travel. The latter is quite important: with health care facilities in Maputo totally inadequate, South Africa is currently

used for medical and dental treatment. If for some reason this option were to be closed, travel costs to an alternate location would increase immeasurably.

FY 1989 is a reflection of what should occur in the prior two years. Consequently, it is expected that there will be two post assignments, four home leaves and no R&Rs. If the costs for the post assignments and home leaves are deducted from the FY 1989 budget, since there were none in FY 1988; then the FY 1989 costs for USDH personnel would be less than what has been budgeted in FY 1988.

Even through the mission is authorized two FNDH positions in FY 1987, these positions are currently unfilled. It is expected that an accounting technician will occupy one position beginning in FY 1988 and that the other position will be filled about half-way through the fiscal year by a program assistant. Both positions will be fully occupied in FY 1989. Consequently, the budgets reflect these actions with a straight-lining of the costs.

In FY 1987, an USDH was retiring and it was necessary to hire him under contract until his replacement arrived at post. No OE funded USPSCs are expected in FYs 1988 and 1989. The increase in FSNPSCs from 1987 to 1989 represents a need that has long existed due to a larger, more active program and the mission's lack of absorptive capacity to hire those personnel required during the earlier years when it was understaffed. Increased costs on a unit basis (workyears) represents wage increases due to promotions, staff upgrading, and wage adjustments due to wage surveys.

Modest increases in housing costs are anticipated from FY 1987 to 1989. Due to changes in leases, it is expected that additional local currency payments will be required in FY 1989; but it is totally impossible to identify the increases in those leases which are paid in US dollars. For that reason, the dollar amount was kept constant. Due to a possible change in houses with the Embassy and the fact that some of the houses are getting older and need more attention, basic maintenance and renovation costs will increase in FY 1988 but decrease in 1989. The increase in security guard services is attributable to occupying one-half year more of housing in FY 1988 and 1989 than in FY 1987 and increases in salaries due to rising costs. Increased furniture requirements relate to additional authorized purchases for existing residences and replacement furniture.

The cost of office operations remain relatively the same except for a few line items. These include: expenses for office renovations, e.g. painting which should be done in FY 87 but will be postponed to FY 1988. Also, there are major security renovations occurring in FY 1987 which will

leave a few loose ends which must be corrected. We don't expect security to pay for them, so mission OE funds will be used in FY 1988 to cover these. Purchases for office furniture and equipment represent replacement of old furniture used in initial set-up of the office and requirements for additional FSN staff personnel. Vehicle requirements for replacement and increased operating needs are reflected in Table VIII (f) -1 and in Table VIII. Increased costs in office security guard services are planned at ten percent per year and this figure may be underestimated.

It is expected that the overall security situation will improve in future years; thereby, providing the opportunity for more mission site visits to the field than in FY 1987. As discussed in management improvements, there will be a definite effort to upgrade the quality of the FSN staff (delegating more attention and responsibility as thus as appropriate) and to USDH employees. All employees would benefit from attending conferences and training courses.

## 2. Management Improvements.

From FY 1987 through FY 1989, OAR/Maputo will have instituted a number of very significant management improvements. The most visible of these improvements is the major office renovations which will greatly enhance security and office space. The latter will improve office operations and efficiency through improved traffic flow, better organizational layout, increased office space, and associated benefits. Significant benefits will also be derived from hiring two FSN direct hires in FY88, an accountant and program specialist. Likewise, increased management oversight and more expeditious implementation of technical assistance and local currency activities will accrue upon assignment of the proposed USDH controller and project development officer.

The AID program in Maputo is large in dollar terms and quite complex with additional components added during the past year, i.e. disaster assistance, the broadened technical assistance programs, the new CIP, and program of local currency generations, monitoring and control of the program are becoming difficult, and additional USDH staff are required to insure proper program management and strengthen internal controls, reduce vulnerability, and enhance overall financial management.

The recent evaluation of the technical assistance program strongly recommended that a Project Development Officer be assigned. The P.L. 480 and commodity import programs generate significant local currency (approximately \$50

million per annum) which needs to be monitored and accounted for. These generations, the general financial workload (especially related to direct AID letters of commitment) of the CIP, and financial control (and accountant training) relating to operating expenses --- all support the requirement for a controller.

Finally, assignment of an Engineering Officer (with transport specialization) will ensure sufficient project coverage and management of the transport sector, as it relates both to bilateral (Mozambican) and regional (SADCC) programs. (The Southern African Initiative contains an important transport component which will either focus on Mozambique or must use Mozambican interlocutors in Maputo, where the transport coordination commission for Southern Africa is located.)

Concurrent with these assignments, there are plans to hire an accounting technician as well as some other support staff. (See supplemental Table VIII (i).)

The purchase of additional PCs and a possible reconfiguration of current equipment should strongly enhance the capabilities to do more with less, and yet, maintain meaningful control over the mission activities. Consideration is also being given toward changing the Wang maintenance contractor from the South African representative to the State Department contract. Even though additional equipment is being purchased in FY 1988 and FY 1989, we expect that there will be no, and possible less, additional maintenance costs by virtue of converting to the State Department contract. OAR/Maputo intends to purchase a more efficient copier in FY 1988 to facilitate communication flows and streamline various office operations.

Finally, with the Office in full operation now for two years, the initial growing pains and learning curve experiences associated with starting a new office have passed. As a result, most personnel will be better able to focus on their duties and responsibilities, enhancing their efficiency and the overall functioning of the office. In other cases, the new employees which we are contracting will have to receive proper orientation training.

Additionally, efforts are being made to enrich the jobs of FSNs, up-grading their skills and teaching them new concepts to enable their assignment to more responsible duties. Special efforts are being directed toward providing the USDH and, more particularly, the FSN staff opportunities to attend training courses offered by AID. This will include courses in project design, project implementation, contracting and procurement personnel administrative and the FSN accounting course. Associated

with this is the fact that USAID/Swaziland will be fully staffed during FY 1988 and 1989, and will be in a better position to support OAR/Maputo to a fuller extent.

### 3. Trust Funds.

OAR/Maputo currently receives trust funds under its CIP program. These local currency funds (meticaïs) are generated at the rate of three and one-half (3 1/2) percent from the sales of commodities procured through the CIP.

Historically, there were very few opportunities to use it, but beginning in FY 1987 that was no longer completely true. By way of an improved economy, diligence by the deputy executive officer, and better knowledge of the environment, it appears that local currency trust funds will be used to a greater extent than in previous years. An example of this is the use of a previously unknown local printer for letterhead stationery.

Based upon current exchange rates, it is expected that approximately \$350,000 of trust funds will be received in each of fiscal years 1988 and 1989. (However, several devaluations are expected in the next few years which will reduce the effective dollar amount received.) At this time, there are no known problems in receiving such funds from the government.

It should be noted that until March 1987, the exchange rate of the metical and the dollar was approximately 40 to one, even though the parallel market rate was approximately 1,500 to one. In February 1987, the metical was officially devalued to 200 to one. It is quite possible that there will be further devaluations, but this would have countervailing consequences. As the difference between the parallel and official rates narrows, more products will be available for purchase in meticaïs. While this will increase the uses for the trust fund, the per unit costs will have increased multifold.

Without an increase in the GPRM contribution to the trust fund, its effective purchasing power will be significantly reduced. Consequently, in the near future, OAR/Maputo will be requesting the GPRM to increase trust fund contributions to 7 percent of the sales proceeds of the commodities imported.

Given the extremely fluid economic reform situation, it is currently impossible to predict the extent to which trust funds can be used in lieu of dollars or the extent to which additional dollars will be needed to supplement the trust fund. At this point in time, however, it appears to be unlikely that dollars would be needed to purchase local currency items.

ORGANIZATION: OAF/MAPUTO, FY 1987  
 BUDGET PLAN CODE:

EXPENSE CATEGORY	FUNC CODE	DOLLARS	TRUST FUND	UNITS
U.S. DIRECT HIRE	U100	467.9	0.0	467.9
* U.S. Full time Basic Pay	U101	235.5	235.5	4.6
* U.S. Part time Basic Pay	U102	0.0	0.0	
Differential Pay	U103	59.9	59.9	
Other AID/W Funded Code 11	U104	1.0	1.0	
Other Mission Funded Code 11	U105	0.0	0.0	
* Education Allowance	U106	20.9	20.9	2.0
Retirement	U107	22.0	22.0	
Cost of Living Allowances	U108	8.0	8.0	
Other AID Funded Code 12	U109	3.5	3.5	
Other Mission Funded Code 12	U110	0.0	0.0	
* Post Assignment Travel	U111	20.7	20.7	5.0
* Post Assignment Freight	U112	61.0	61.0	5.0
* Home Leave Travel	U113	8.7	8.7	2.0
* Home Leave Freight	U114	8.7	8.7	2.0
* Education Travel	U115	5.0	5.0	1.0
* R & R Travel	U116	0.0	0.0	
* Other Code 215 Travel	U117	10.0	10.0	5.0
FOREIGN NATIONAL DIRECT HIRE	U200	0.0	0.0	0.0
* F.N. Basic Pay	U201		0.0	
* Overtime /Holiday Pay	U202		0.0	
All Other Code 11 - F.N.	U203	NONE	0.0	
All Other Code 12 - F.N.	U204		0.0	
Benefits - Former F.N. Pers.	U205		0.0	
CONTRACT PERSONEL	U300	119.2	18.0	137.2
* FASA Technicians	U301	0.0	0.0	
* U.S. PSC Salaries/Benefits	U302	4.4	4.4	0.1
All Other U.S. PSC Costs	U303	0.0	0.0	
* F.N. PSC Salaries/Benefits	U304	114.8	18.0	132.8
All Other F.N. PSC Costs	U305	0.0	0.0	
* Manpower Contracts	U306	0.0	0.0	
HOUSING	U400	69.8	75.0	144.8
* Residential Rent	U401	76.9	44.0	80.9
Residential Utilities	U402	0.0	0.0	0.0
Maintenance & Renovation	U403	12.0	8.0	20.0
* Quarters Allowances	U404	0.0	0.0	
Residential Furniture/Equip.	U405	4.5	4.5	
Trans/Freight - Code 311	U406	0.5	0.5	
* Security Guard Services	U407	15.5	20.0	35.5
Official Residence Allowance	U408	0.0	0.0	
Representational Allowance	U409	0.4	0.4	

DAR/MAFUTO: FY 1987

OFFICE OPERATIONS	U500	165.0	36.8	201.8	
Office Rent	U501	0.0		0.0	
Office Utilities	U502	0.0	3.0	3.0	
Building Maint/Renovation	U503	6.0	4.5	10.5	
Office Furniture Equipment	U504	22.5		22.5	
Vehicles	U505	0.0		0.0	
Other Equipment	U506	18.0		18.0	
Transportation/Freight	U507	4.5		4.5	
Furn/Equip/Veh Repair/Maint	U508	14.5	1.5	16.0	
Communications	U509	0.0	20.0	20.0	
* Security Guard Services	U510	7.0	5.0	12.0	13.5
Printing	U511	0.0		0.0	
* Site Visits - Mission	U513	8.0	1.0	9.0	20.0
* Site Visits - AID/W	U514	0.0		0.0	
* Information Meetings	U515	0.0		0.0	
* Training Attendance	U516	1.6		1.6	1.0
* Conference Attendance	U517	8.0		8.0	3.0
* Other Operational Travel	U518	10.0	0.3	10.3	14.0
Supplies & Materials	U519	40.0	1.5	41.5	
FAAS	U520	0.0		0.0	
Contract Consulting Services	U521	0.0		0.0	
Contract Mgt/Prof Services	U522	0.0		0.0	
Special Studies/Analysis	U523	0.0		0.0	
All Other Code 25	U524	24.9	4.0	28.9	
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>821.9</b>	<b>131.8</b>	<b>953.7</b>	
Reconciliation		321.9		321.9	
Operating Budget requirements					
636(c) Requirements	U601	0.0			
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	U600	<b>500.0</b>	<b>131.8</b>	<b>631.8</b>	

## OTHER INFORMATION

Dollar Requirements for Local Currency Purchases      Insignificant \*  
Exchange Rate Used \*\*( Average rate for FY 86/87)      2.1 Rand = 1 U.S. Dollar  
Estimated Inflation Rate      0

\* Purchase are either in local currency from the trust fund or in hard currency. No hard currency is converted for payments in local currency (meticals)

\*\* All local purchases, when possible, are under Trust Fund; otherwise S.A. Rand is used to procure goods and services on the local economy and from the local duty free shop.

ORGANIZATION: OAR/MAPUTO, FY 1988  
 BUDGET PLAN CODE:

EXPENSE CATEGORY	FUNC CODE	DOLLARS	TRUST FUND	TOTAL UNITS
U.S. DIRECT HIRE	U100	473.3	0.0	460.3
* U.S. Full time Basic Pay	U101	275.9		275.9 5.0
* U.S. Part time Basic Pay	U102	0.0		0.0
Differential Pay	U103	69.0		69.0
Other AID/W Funded Code 11	U104	6.0		6.0
Other Mission Funded Code 11	U105	2.0		2.0
* Education Allowance	U106	20.0		20.0 1.0
Retirement	U107	25.9		25.9
Cost of Living Allowances	U108	10.0		
Other AID Funded Code 12	U109	3.5		3.5
Other Mission Funded Code 12	U110	3.0		
* Post Assignment Travel	U111	0.0		0.0
* Post Assignment Freight	U112	0.0		0.0
* Home Leave Travel	U113	0.0		0.0
* Home Leave Freight	U114	0.0		0.0
* Education Travel	U115	15.0		15.0 4.0
* R & R Travel	U116	18.0		18.0 5.0
* Other Code 215 Travel	U117	25.0		25.0 10.0
FOREIGN NATIONAL DIRECT HIRE	U200	18.5	1.5	18.0
* F.N. Basic Pay	U201	18.5	0.9	17.4 1.5
* Overtime /Holiday Pay	U202	0.0	0.4	0.4
All Other Code 11 - F.N.	U203	0.0	0.1	0.1
All Other Code 12 - F.N.	U204	0.0	0.1	0.1
Benefits - Former F.N. Pers.	U205	0.0	0.0	0.0
CONTRACT PERSONEL	U300	143.0	18.1	161.1
* FASA Technicians	U301	0.0	0.0	0.0
* U.S. PSC Salaries/Benefits	U302	0.0	0.0	0.0
All Other U.S. PSC Costs	U303	0.0	0.0	0.0
* F.N. PSC Salaries/Benefits	U304	143.0	18.1	161.1 17.1
All Other F.N. PSC Costs	U305	0.0	0.0	0.0
* Manpower Contracts	U306	0.0	0.0	0.0
HOUSING	U400	95.5	79.3	174.8
* Residential Rent	U401	78.0	44.0	82.0 5.0
Residential Utilities	U402	0.0	3.3	3.3
Maintenance & Renovation	U403	20.0	10.0	30.0
* Quarters Allowances	U404	0.0		0.0
Residential Furniture/Equip.	U405	11.7		11.7
Trans/Freight - Code 311	U406	4.7		4.7
* Security Guard Services	U407	20.7	22.0	42.7 21.5
Official Residence Allowance	U408	0.0		0.0
Representational Allowance	U409	0.4		0.4

OAR/MAPUTO: FY 1988

OFFICE OPERATIONS	U500	228.7	46.4	275.1	
Office Rent	U501	0.0		0.0	
Office Utilities	U502	0.0	3.3	3.3	
Building Maint/Renovation	U503	13.0	3.3	16.3	
Office Furniture Equipment	U504	24.0		24.0	
Vehicles	U505	24.0		24.0	
Other Equipment	U506	20.0		20.0	
Transportation/Freight	U507	8.0		8.0	
Furn/Equip/Veh Repair/Maint	U508	15.0	3.5	18.5	
Communications	U509	0.0	20.0	20.0	
* Security Guard Services	U510	7.7	5.0	12.7	13.5
Printing	U511	0.0	0.5	0.5	
* Site Visits - Mission	U513	10.0	4.0	14.0	24.0
* Site Visits - AID/W	U514	5.0		5.0	1.0
* Information Meetings	U515	5.0		5.0	1.0
* Training Attendance	U516	17.0		17.0	5.0
* Conference Attendance	U517	10.0		10.0	4.0
* Other Operational Travel	U518	10.0	0.3	10.3	14.0
Supplies & Materials	U519	40.0	2.5	42.5	
FAAS	U520	0.0		0.0	
Contract Consulting Services	U521	0.0		0.0	
Contract Mgt/Prof Services	U522	0.0		0.0	
Special Studies/Analysis	U523	0.0		0.0	
All Other Code 25	U524	20.0	4.0	24.0	
TOTAL OPERATING EXPENSE BUDGET		957.0	145.3	1102.3	
Reconciliation		380.3		380.3	
Operating Budget requirements					
636(c) Requirements	U601	0.0		0.0	
TOTAL ALLOWANCE REQUIREMENTS	U000	576.7	145.3	722.0	

## OTHER INFORMATION

Dollar Requirements for Local Currency Purchases      Insignificant \*  
 Exchange Rate Used \*\*( Average rate for FY 86/87)      2.1 Rand = 1 U.S. Dollar  
 Estimated Inflation Rate      5 - 10% \*\*\*

\* Purchase are either in local currency from the trust fund or in hard currency. No hard currency is converted for payment in local currency (meticals).

\*\* All local purchases, when possible, are under Trust Fund; otherwise S.A. Rand is used to procure goods and services on the local economy and from the local duty free shop.

\*\*\* Due to a highly vulnerable local currency, a zero inflation rate was used for the local currency Trust Fund. For other currencies, an inflation rate, of 5 -10% was used depending upon the item. In a few instances, a nominal inflation rate of 2 -3% was used.

ORGANIZATION: OAR/Maputo, FY 1989  
 BUDGET PLAN CODE:

EXPENSE CATEGORY	FUNC CODE	DOLLARS	TRUST FUND	TOTAL UNITS
U.S. DIRECT HIRE	U100	522.8	0.0	522.8
* U.S. Full time Basic Pay	U101	275.9		275.9 5.0
* U.S. Part time Basic Pay	U102	0.0		0.0
Differential Pay	U103	69.0		69.0
Other AID/W Funded Code 11	U104	6.0		6.0
Other Mission Funded Code 11	U105	2.0		2.0
* Education Allowance	U106	10.0		10.0 1.0
Retirement	U107	25.9		25.9
Cost of Living Allowances	U108	11.0		
Other AID Funded Code 12	U109	3.5		3.5
Other Mission Funded Code 12	U110	3.0		3.0
* Post Assignment Travel	U111	10.0		10.0 2.0
* Post Assignment Freight	U112	27.5		27.5 2.0
* Home Leave Travel	U113	20.0		20.0 4.0
* Home Leave Freight	U114	20.0		20.0 4.0
* Education Travel	U115	20.0		20.0 4.0
* R & R Travel	U116	0.0		0.0
* Other Code 215 Travel	U117	30.0		30.0 10.0
FOREIGN NATIONAL DIRECT HIRE	U200	27.0	2.0	27.0
* F.N. Basic Pay	U201	21.0	1.3	22.3 2.0
* Overtime /Holiday Pay	U202	0.0	0.5	0.5 .1
All Other Code 11 - F.N.	U203	0.0	0.1	0.1
All Other Code 12 - F.N.	U204	0.0	0.1	0.1
Benefits - Former F.N. Pers.	U205	0.0		0.0
CONTRACT PERSONEL	U300	220.1	20.1	220.1
* PASA Technicians	U301	0.0		0.0
* U.S. PSC Salaries/Benefits	U302	0.0		0.0
All Other U.S. PSC Costs	U303	0.0		0.0
* F.N. PSC Salaries/Benefits	U304	200.0	20.1	220.1 18.1
All Other F.N. PSC Costs	U305	0.0		0.0
* Manpower Contracts	U306	0.0		0.0
HOUSING	U400	108.2	92.9	201.1
* Residential Rent	U401	36.0	57.6	95.6 5.0
Residential Utilities	U402	0.0	3.3	3.3
Maintenance & Renovation	U403	15.0	10.0	25.0
* Quarters Allowances	U404	0.0		0.0
Residential Furniture/Equip.	U405	24.3		24.3
Trans/Freight - Code 311	U406	7.7		7.7
* Security Guard Services	U407	22.8	22.0	44.8 31.5
Official Residence Allowance	U408	0.0		0.0
Representational Allowance	U409	0.4		0.4

DAR/MAPUTO: FY 1989

OFFICE OPERATIONS	U500	207.2	50.1	257.3	
Office Rent	U501	0.0		0.0	
Office Utilities	U502	0.0	3.3	3.3	
Building Maint/Renovation	U503	5.0	3.0	8.0	
Office Furniture Equipment	U504	19.3		19.3	
Vehicles	U505	14.0		14.0	
Other Equipment	U506	20.0		20.0	
Transportation/Freight	U507	8.0		8.0	
Furn/Equip/Veh Repair/Maint	U508	15.5	3.5	19.0	
Communications	U509	0.0	20.0	20.0	
* Security Guard Services	U510	8.4	5.0	13.4	13.5
Printing	U511	0.0	0.5	0.5	
* Site Visits - Mission	U513	10.0	8.0	18.0	28.0
* Site Visits - AID/W	U514	5.0		5.0	1.0
* Information Meetings	U515	5.0		5.0	1.0
* Training Attendance	U516	17.0		17.0	5.0
* Conference Attendance	U517	10.0		10.0	4.0
* Other Operational Travel	U518	10.0	0.3	10.3	14.0
Supplies & Materials	U519	40.0	2.5	42.5	
FAAS	U520	0.0		0.0	
Contract Consulting Services	U521	0.0		0.0	
Contract Mgt/Prof Services	U522	0.0		0.0	
Special Studies/Analysis	U523	0.0		0.0	
All Other Code 25	U524	20.0	4.0	24.0	
TOTAL OPERATING EXPENSE BUDGET		1070.2	165.1	1235.3	
Reconciliation		380.3		380.3	
Operating Budget requirements					
636(c) Requirements	U601	0.0			
TOTAL ALLOWANCE REQUIREMENTS	U000	689.9	165.1	855.0	

## OTHER INFORMATION

Dollar Requirements for Local Currency Purchases      Insignificant \*

Exchange Rate Used \*\*( Average rate for FY 86/87)      2.1 Rand = 1 U.S. Dollar

Estimated Inflation Rate      5 - 10% \*\*\*

- \* Purchase are either in local currency from the Trust Fund or in hard currency. No hard currency is converted for payment in local currency (meticals).
- \*\* All local purchases, when possible, are under Trust Fund; otherwise S.A Rand is used to procure goods and services on the local economy and from the local duty free shop.
- \*\*\* Due to a highly vulnerable local currency, a zero inflation rate was used for the local currency Trust Fund. For other currencies, an inflation rate of 5 -10% was used depending upon the item. In a few instances, a nominal inflation rate of 2 -3% was used.

ORGANIZATION: OAR/MAFUTO

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

JOB TITLE/DESCRIPTION	FY 1987	FY 1988	FY 1989
FOOD FOR PEACE OFFICER	.1	-	-
No other OE funded PSC's planned FYs 87, 88, or 89			

Table VIII (c)  
All Other Code 25 Detail

Organization: OAR/Maputo

<u>Description</u>	<u>FY1987</u>	<u>FY1988</u>	<u>FY1989</u>
Language Training	3.0	4.0	4.0
Misc. Contractual Services	25.9	20.0	20.0
Translation services (as needed)			
Equipment Installation (one-time)			
Support services (one-time)			
Janitorial services (Annual)			
Total	28.9	24.0	24.0

There were no single contracts in excess of \$10,000.

ORGANIZATION: OAR/MAPUTO

TABLE VIII (d)  
MANPOWER CONTRACT DETAIL

DESCRIPTION	FY 1987	FY 1988	FY 1989
NONE	0	0	0

ORGANIZATION: OAR/MAPUTO

TABLE VIII (e)  
OBLIGATIONS FOR AQUISITION, OPERATION  
AND USE OF INFORMATION TECHNOLOGY SYSTEMS  
(\$000)  
ALTERNATIVE II: PRESUMING TECHNOLOGY CHANGE \*

ITEM AND EXPLANATION	FY 1987	FY 1988	FY1989
<b>1. CAPITAL INVESTMENT</b>			
<b>A. PURCHASE OF HARDWARE</b>			
WANG PC-XC3-3 EXP WANG PC 30MB	4.5	5.4	
WANG PC-XC3-2 EXP WANG PC 10MB		4.5	
WANG PC-PM038	3.3		
WANG PC-PM018 60CPS SERIAL PRINTER	1.6		
WANG PC-PM016 160CPS MATRIX PRINTER		0.7	
FACIT PTP-3 FACIT TELEX ENCODER			
WANG APV-IWS APC WORKSTATION			7.9
WANG APC-PM029 APC UPGRADE			4.3
C/TRONICSUPS MINIVERT	5.7		
<b>B. PURCHASE OF SOFTWARE</b>			
WANG LOTUS 1-2-3 UPGRADE	0.1		
WANG IBM/WANG LOTUS 1-2-3	0.4		
WANG IBM/WANG PC-DOS	0.4		
WANG 195-4668-9, ASHTATE DBASE III		0.4	
WANG 016-070 ASHTATE FRAMEWORK II		0.6	
WANG PROPLAN			1.5
<b>C. SITE FACILITY</b>			
	0.0	0.0	0.0
<b>SUBTOTAL SECTION 1</b>	<b>16.0</b>	<b>11.6</b>	<b>13.7</b>
<b>2. PERSONEL:</b>			
<b>A. COMPENSATION, BENEFITS &amp; TRAVEL</b>	0.0	0.0	0.0
<b>B. WORKYEARS</b>			
<b>3. EQUIPMENT RENTAL, SPACE AND OTHER OPERATING COSTS:</b>			
<b>A. LEASE OF EQUIPMENT</b>	0.0	0.0	0.0
<b>B. SPACE</b>	0.0	0.0	0.0
<b>C. SUPPLIES &amp; OTHER MATERIAL</b>	3.0	3.0	3.0
<b>D. NON-COMMERCIAL TRAINING</b>	2.0	2.0	2.0
	5.0	5.0	5.0

\* SEE NARRATIVE TO TABLE VIII (e) FOR EXPLANATION OF DIFFERENCES BETWEEN ALTERNATIVES I AND II

ORGANIZATION: OAR/MAPUTO

TABLE VIII (e)  
(continued)

4. COMMERCIAL SERVICES:			
A. COMPUTER TIME	0.0		
B. LEASED TELECOMM SERVICES	0.0		
C. OPERATIONS & MAINTENANCE			
(1) OPERATIONS	14.4	15.4	16.4
(2) MAINTENANCE			
(PSC CONTRACT)			
OTHER THAN WANG EQUIPMENT			
WANG EQUIPMENT(LOCAL MAINT)*	10.5		
WANG EQUIPMENT(AID/W MAINT)*		10.0	10.5
D. SYSTEM ANALYSIS & PROGRAMMING	0.0	0.0	0.0
E. SYSTEM DESIGN & ENGINEERING	0.0	0.0	0.0
F. STUDIES & OTHER	0.0	0.0	0.0
-----			
SUBTOTAL SECTION 4	24.9	25.4	26.9
-----			
5. TOTAL DOLLARS	45.9	42.0	49.9
-----			
TOTAL WORK YEARS (from item 2A)	0.0	0.0	0.0
-----			
6. MISSION ALLOWANCE LEVELS			
A. EXISTING SYSTEMS	29.9	30.4	31.9
B. NEW EXPANDED SYSTEMS	16.0	11.6	18.0
-----			

\* MISSION EXPLORING ALTERNATIVES FOR MAINTENANCE TO DETERMINE BEST CONTRACT, PRICE PRICE AND OTHER FACTORS CONSIDERED. FY 88 AND 89 ASSUME BETTER PRICE BUT ADDITIONAL EQUIPMENT.

ORGANIZATION: OAR/MAPUTO

TABLE VIII (e)  
OBLIGATIONS FOR ACQUISITION, OPERATION  
AND USE OF INFORMATION TECHNOLOGY SYSTEMS  
(\$000)  
ALTERNATIVE I: CURRENT TECHNOLOGY \*

ITEM AND EXPLANATION	FY 1987	FY 1988	FY1989
<b>1. CAPITAL INVESTMENT</b>			
<b>A. PURCHASE OF HARDWARE</b>			
WANG PC-XC3-3 EXP WANG PC 30MB	4.5	5.4	10.8
WANG PC-XC3-2 EXP WANG PC 10MB		4.5	
WANG PC-PM038	3.3		
WANG PC-PM018 60CPS SERIAL PRINTER	1.6		
WANG PC-PM016 190CPS MATRIX PRINTER		0.7	
FACIT PTP-3 FACIT TELEX ENCODER			
C/TRONICSUPS MINIVERT	5.7		
<b>B. PURCHASE OF SOFTWARE</b>			
WANG LOTUS 1-2-3 UPGRADE	0.1		
WANG IBM/WANG LOTUS 1-2-3	0.4		
WANG IBM/WANG PC-DOS	0.4		
WANG 195-4668- 9, ASHTATE DBASE III		0.4	
WANG 016-070 ASHTATE FRAMEWORK II		0.6	
WANG PROPLAN			1.5
<b>C. SITE FACILITY</b>			
	0.0	0.0	0.0
<b>SUBTOTAL SECTION 1</b>	<b>16.0</b>	<b>11.6</b>	<b>18.0</b>
<b>2. PERSONEL:</b>			
<b>A. COMPENSATION, BENEFITS &amp; TRAVEL</b>	0.0	0.0	0.0
<b>B. WORKYEARS</b>			
<b>3. EQUIPMENT RENTAL, SPACE AND OTHER OPERATING COSTS:</b>			
<b>A. LEASE OF EQUIPMENT</b>	0.0	0.0	0.0
<b>B. SPACE</b>	0.0	0.0	0.0
<b>C. SUPPLIES &amp; OTHER MATERIAL</b>	3.0	3.0	3.0
<b>D. NON-COMMERCIAL TRAINING</b>	2.0	2.0	2.0
	5.0	5.0	5.0

\* SEE NARRATIVE TO TABLE VIII (e) FOR EXPLANATION OF DIFFERENCE BETWEEN ALTERNATIVE I AND II.

ORGANIZATION: OAR/MAPUTO

TABLE VIII (e)  
(continued)

4. COMMERCIAL SERVICES:			
A. COMPUTER TIME	0.0		
B. LEASED TELECOMM SERVICES	0.0		
C. OPERATIONS & MAINTENANCE			
(1) OPERATIONS	14.4	15.4	16.4
(2) MAINTENANCE			
(PSC CONTRACT)			
OTHER THAN WANG EQUIPMENT			
WANG EQUIPMENT(LOCAL MAINT)*	10.5		
WANG EQUIPMENT(AID/W MAINT)*		10.0	10.5
D. SYSTEM ANALYSIS & PROGRAMMING	0.0	0.0	0.0
E. SYSTEM DESIGN & ENGINEERING	0.0	0.0	0.0
F. STUDIES & OTHER	0.0	0.0	0.0
SUBTOTAL SECTION 4	24.9	25.4	26.4
5. TOTAL DOLLARS	45.9	42.0	45.1
TOTAL WORK YEARS (from item 2A)	0.0	0.0	0.0
6. MISSION ALLOWANCE LEVELS			
A. EXISTING SYSTEMS	29.9	30.4	31.4
B. NEW EXPANDED SYSTEMS	16.0	11.6	13.7

\* MISSION EXPLORING ALTERNATIVES FOR MAINTENANCE TO DETERMINE BEST CONTRACT, PRICE PRICE AND OTHER FACTORS CONSIDERED. FY 88 AND 89 ASSUME BETTER PRICE BUT ADDITIONAL EQUIPMENT.

ORGANIZATION: OAR/MAPUTO

TABLE VIII (e)  
NARRATIVE

ALTERNATIVE I

1989 SHOWS THE PURCHASE OF A FURTHER TWO PC'S, SHOULD THE SOFTWARE TECHNOLOGY NOT ADVANCE SUFFICIENTLY TO UPGRADE THE PC'S TO MULTI SCREEN APC'S, WITH SOFTWARE WHICH IS COMPATIBLE TO THE PC.

ALTERNATIVE II

1989 PRESUMES THAT TECHNOLOGY HAS DEVELOPED APC SOFTWARE THAT IS COMPATIBLE TO PC MS-DOS AND ALL THE ASSOCIATED SOFTWARE, ALLOWING THREE PC'S TO BE UPGRADED TO APC'S WITH MULTI SCREEN CAPABILITY.

ORGANIZATION: OAR/MAFUTO

TABLE VIII (f) - 1  
Report on Motor Vehicle Operations

ITEM AND EXPLANATION	FY 1987	FY 1988	FY 1989
<b>A. Numbers of Vehicles:</b>			
<b>1. Purchased Vehicles:</b>			
(a) Number of vehicles on-hand at start of year	4	4	5
(b) Plus Number of vehicles to be purchased during the year	0	2	1
(c) Less Number of vehicles to be disposed of during the year	0	1	1
(d) Number of vehicles on hand end of year	4	5	5
<b>2. Leased Vehicles:</b>			
Average number of leased vehicles in use during the year	0	0	0
<b>B. Estimated Obligations</b>			
1. Vehicle Purchases	0	24,000	14,000
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	4,000	2,500
4. Vehicle Leases	0	0	0
5. Vehicle Maintenance/Repairs	See F-2		
6. Salaries /Benefits of Drivers/ Dispatchers	5,236	5,759	6,335
7. Supplies/Materials/Gas/Oil	4,532	5,665	6,798
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	53	120	160
10. Total Obligations	9,281	39,544	29,793
<b>C. Estimated Disbursements:</b>			
1. Vehicle Purchases	0	24,000	14,000
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	4,000	2,500
4. Vehicle Leases	0	0	0
5. Vehicle Maintenance/Repairs	See F-2		
6. Salaries /Benefits of Drivers/ Dispatchers	5,090	5,584	6,142
7. Supplies/Materials/Gas/Oil	4,532	5,665	6,798
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	53	110	112
10. Total Obligations	9,675	39,359	29,552

D. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy motor pool:

1. On-hand at start of year
2. To be purchased during the year                      None
3. To be disposed of during the year

ORGANIZATION: DAR/MOZAMBIQUE

TABLE VIII (f) - 2  
Report on Motor Vehicle Operations  
Trust Fund—Stated in Dollars

ITEM AND EXPLANATION	FY 1987	FY 1988	FY 1989
<b>A. Numbers of Vehicles:</b>			
<b>1. Purchased Vehicles:</b>			
(a) Number of vehicles on-hand at start of year			
(b) Plus Number of vehicles to be purchased during the year			
(c) Less Number of vehicles to be disposed of during the year			
(d) Number of vehicles on hand end of year			
<b>2. Leased Vehicles:</b>			
Average number of leased vehicles in use during the year	0	0	0
<b>B. Estimated Obligations</b>			
1. Vehicle Purchases	0	0	0
2. Special modifications (such as armor plating)	0	0	0
3. Transportation of purchased vehicles	0	0	0
4. Vehicle Leases	0	0	0
5. Vehicle Maintenance/Repairs	680	900	1,800
6. Salaries /Benefits of Drivers/ Dispatchers	4,590	6,870	10,330
7. Supplies/Materials/Gas/Oil	0	0	0
8. Rental of Warehouse/Garage space	0	0	0
9. Other Miscellaneous Costs	150	75	95
10. Total Obligations	5,320	7,845	12,225
<b>D. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy motor pool:</b>			
1. On-hand at start of year			
2. To be purchased during the year			
3. To be disposed of during the year			

Rate of exchange 200 Metical to 1.00 Dollar

ORGANIZATION: OAR/MAFUTO

ANNEX I  
TABLE VIII (g)  
FY 1987 ANNUAL BUDGET SUBMISSION  
INFORMATION ON U.S. DIRECT-HIRE STAFFING

POSNO/ SACODE	S.A.	POSITION TITLE	PROG.MGT. RESPONSIBILITIES	FY 87	FY 88	FY 89
2165- 0005		AID Rep.	(Reg. Transp. Prog. 690-0031)	.9	1	1
0008	D&E	Program Officer	(PM&R ESF-TA-656-K-602   ESF-TA-656-K-602A DA-TA-656-T-603)	.7	1	1
0010	A	FFP Officer	(P.L. 480 Disaster Assts. Sec. 416)	1	1	1
0015		Comm. Imp. Off.	(CIP 656-K-601B CIP 656-K-601C)	1	1	1
0025	H	Exec Asst.	None	1	1	1
Total Positions				5	5	5
Total Workyears				4.6	5	5
Proposed changes to U.S. Direct-Hire Staffing (See narrative for justification)						
New		Prog. Dvl. Off., BS-94	(T.A. Prog., design of priv. enterprise program)	0	.5	1
New		Controller, B-04	(Local Currency Program)	0	.3	1
New		Engineer (Trans), BS-25	(Transp. PRM, 690-0031)	0	.1	1
Proposed Total Positions				5	8	8
Proposed Total Workyears				4.6	5.9	8

ORGANIZATION: DAR/MAPUTO

ANNEX I  
TABLE VIII (h)  
FY 89 ANNUAL BUDGET SUBMISSION  
Information on IDI Staffing

POS NO/ SACODE	POSITION TITLE	PROGRAM MANAGEMENT RESPONSIBILITY	FY 1987	FY 1988	FY 1989
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NO IDI PLANNED

ORGANIZATION: OAR/MAPUTO

ANNEX I  
TABLE VIII (i)  
FY 89 ANNUAL BUDGET SUBMISSION  
Information on Foreign Service & Third Country National  
Direct Hiring Staff

CATEGORY	DESCRIPTIVE JOB TITLE	FUNDING	FY 1987	FY 1988	FY 1989
SNDH	Accountant	OE/TF	0	1	1
SNDH	Program Specialist	OE/TF	0	.5	1
	Total Positions		2	2	2
	Total Workyears		0	1.5	2

ORGANIZATION: OAR/MAPUTO

ANNEX I  
TABLE VIII (j)  
FY 89 ANNUAL BUDGET SUBMISSION  
Information on Part-Time Direct Hire Staffing

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US/ FSN/TCN	DESCRIPTIVE JOB TITLE	FUNDING	FY 1987	FY 1988	FY 1989
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NO PART TIME DIRECT HIRE STAFF IN FY 87, FY 88, FY 89

ORGANIZATION: OAR/MAPUTO

ANNEX I  
TABLE VIII (k)  
FY 89 ANNUAL BUDGET SUBMISSION  
Information on U.S., Foreign & Third Country  
National Contract Staffing

CATEGORY	DESCRIPTIVE JOB TITLE	FUNDING	FY 1987	FY 1988	FY 1989
FSNPSC	DIR. SECRETARY	OE/TF	1	1	1
FSNPSC	PROJ MGT SPEC (FFP)	OE/TF	.9	1	1
FSNPSC	SECTY. (CIP) /TRANS.	OE/TF	1	1	1
FSNPSC	COMM. IMPORT. SPEC.	PRG/TF	.9	1	1
FSNPSC	COMM. IMPORT. SPEC.	PRG/TF	1	1	1
FSNPSC	SECRETARY (FFP) /TRVL	OE/TF	1	1	1
FSNPSC	SYSTEMS MNGR.	OE/TF	.8	.5	.5
FSNPSC	PROC. ASST.	OE/TF	1	1	1
FSNPSC*	ACCOUNTANT	OE/TF	.8	DH*	DH*
FSNPSC	ACCTG. TECHNICIAN	OE/TF		1	1
FSNPSC	ENGINEER/MNT. SUP.	OE/TF	.9	.6	.6
FSNPSC	RECEPTIONIST	OE/TF	1	1	1
FSNPSC	SECRETARY. (EXEC.)	OE/TF	.7	1	1
FSNPSC	DIR. DRIVER	OE/TF	1	1	1
FSNPSC	DRIVER	OE/TF	1	1	1
FSNPSC	DRIVER	OE/TF	1	1	1
FSNPSC	DRIVER	OE/TF	.9	1	1
FSNPSC	MESSENGER	OE/TF	0	.5	1
FSNPSC	JANITOR	OE/TF	1	1	1
FSNPSC	EQUIP. CLERK	OE/TF	1	1	1
FSNPSC	SECRETARY (PDO)	OE/TF	0	.5	1
FSNPSC*	DEV. PRG. SPECIALIST	OE/TF	.1	.5	DH*
FSNPSC	TRANS. PROJ. MNGR.	PRG/TF	0	.1	1
FSNPSC	SECRETARY (TRANSPOR.)	OE/TF	0	0	1
TOTAL POSITIONS		OE/TF	11	20	19
TOTAL WORKYEARS		OE/TF	15.2	17.1	18.1
TOTAL POSITIONS		PRG/TF	2	3	3
TOTAL WORKYEARS		PRG/TF	1.9	2.1	3
TOTAL POSITIONS			20	23	22
TOTAL WORKYEARS			17.1	19.2	21.1

\*Position converted to FSN Direct-Hire in FY 1988

FY 1989 ANNUAL BUDGET SUBMISSION  
PL 480 NARRATIVE  
FOOD ASSISTANCE UNDER PL 480

A. Rationale

The continued deterioration of the economic, health and nutritional conditions in Mozambique has reached a level which warrants the utilization of significant P.L. 480 food resources. The number of at-risk population in Mozambique continues to increase and, according to the GPRM, it is now 4,611,609 (28 percent of the population). This figure also is 33 percent higher than the estimates of December 1986. In addition, there are approximately 2,130,000 predominantly urban people who also are affected since marketable domestic cereal production and commercial imports are not meeting the normal market demand.

This situation results from the cumulative effects of natural disasters (floods and droughts), the effects of armed insurgency on the country's productive system, and the general stagnation of economic activities. There has been created a long-term structural food production deficit that, coupled with a drastic fall in foreign exchange earnings, is expected to last for several years.

It is estimated that 769,596 net metric tons of cereals are needed for the crop year May 1, 1987 through April 30, 1988. The domestic production (estimated at 50,000 MTs) and donor imports are expected to supply only 523,606 net metric tons thereby leaving an unmet food balance of 245,990 net metric tons.

In the health sector, the infant mortality is officially estimated at 159 per thousand based on the 1980 census. However, the following quality of life indicators demonstrate the worsening conditions of life in Mozambique:

<u>Indicator</u>	<u>1980</u>	<u>1984</u>
Under five mortality rate	182	325-375*
Infant mortality (under 1 year per 1000 births)	159	200*
Access to health services (percent of population)	30	NA
Access to safe water (percent of population)	13	NA
Daily per capita caloric intake (percent of MDR's)	81	79

\*Although exact data is unavailable, successive years of deteriorating economic and nutritional factors, and a more intensive insurgency targetting health and educational infrastructure, has aggravated the already low quality of life indicators above. Source: UNICEF

Given this situation, it is impossible to segregate the short term humanitarian and emergency food needs from the marketing requirements. Within this framework, it has been determined that the use of Title I food resources will not be provided due to the lack of foreign exchange and questionable future ability to repay. A Title II program will be developed to provide emergency food and to support the economic rehabilitation program now being implemented in consultation with the IMF and the World Bank.

However, we intend to pursue, in consultation with the United Nations Special Coordinator for Emergency Relief Operations in Mozambique, the development of an overall food assistance strategy to provide under Title II both humanitarian and, to the extent feasible, developmental food resources. In conjunction with this strategy, OAR/Maputo will define types and levels of assistance in FY 1988, FY 1989 and out-years.

## B. Title II

In FY 1987, an estimated 187,852 MT of Title II and Section 416 resources valued at \$66.4 were approved for distribution in Mozambique. These commodities were made available under a bilateral government to government agreement with the Ministry of Commerce, and through a U.S. voluntary agency, World Vision International. In FY 1988, the same distribution mechanisms will be utilized to distribute approximately 115,000 MT with an estimated value of \$28.0 million. In FY 1989, we anticipate the level of these commodity distributions to reach approximately 117,400 MT with an estimated value of \$29.9 million.

### 1. Government to Government Agreement

Title II commodities are being made available to the GPRM under bilateral agreements. Under these agreements, free distributions are made to needy persons through the Department for the Prevention and Combat of Natural Calamities (DPCCN) --- the relief coordinating agency of the GPRM for the prevention and coordination of, and monetization is carried out through the normal marketing channels --- government stores --- of the Ministry of Commerce. Local currency generations are used for payment of internal logistical costs for distributing the food commodities.

In FY 1988, the major thrust of this bilateral agreement will be to encourage the host government to promote innovative, self-help developmental activities, and finance the local costs of these activities with local currency generations. In order to maximize the use of the local currency generations, OAR/Maputo will continue food strategy and policy dialogue with the GPRM and supplement the recently completed local currency study with a follow-up study to (1) investigate innovative uses of these generations, and (2) design the framework for this program activity. During FY 1989, the program design will be incorporated into a Section 206 type multi-year developmental project; approximately 95,000 MT valued at \$25.0 million will be programmed to support this initiative.

## 2. World Vision International

In FY 1987, a U.S. PVO, World Vision International (WVI) received 15,000 MT of Title II foods under an emergency program for distribution in Mozambique. This program is currently reaching, on a daily basis, approximately 100,000 beneficiaries located mainly in western Mozambique. In cooperation with DPCCN and the Mozambican Red Cross as cooperative partners for distribution, WVI is delivering approximately 50 percent of these commodities to drought/insurgency affected recipients in Tete, Manica, Gaza and Zambezia provinces. The other 50 percent balance is being monetized in Tete urban areas to off-set the Tete food transportation costs of the DPCCN.

In order to facilitate the logistics for shipments to western Mozambique, WVI has been maintaining offices in Harare with small sub-offices in Tete and Chimoio. However, the principal office is now being moved to Maputo. WVI staff includes a director, operations coordinator, and program officer, as well as other support staff and five field supervisors, who conduct end-use checks, verify warehouse documentation, and prepare monthly reports.

WVI receives both food commodities and funding support from a variety of sources to assist in the implementation and monitoring of its ongoing emergency program. Almost 50 percent of the foods obtained by WVI for relief distributions come from the EEC, CIDA, and ADAB (Australia). In FY 1987, WVI received a grant from FVA/FFP and OFDA in the amount of \$1,081,029 to support internal commodity transport and management costs. The grant also included the provision of agricultural inputs (AgPacks) for farming extension activities. The GPRM contributes approximately \$10,000 in local currency for program support. WVI is contributing about \$105,000 from internal funding sources to provide for program support and implementation. In 1987, the EEC has made available \$425,000 for the purchase of agricultural inputs (AgPacks).

In FY 1988, WVI will continue to obtain funding from other donors for a portion of the relief operations expenses. However, WVI anticipates requesting funding from either FVA/FFP or OFDA sources to partially cover internal logistics and management costs. Also, WVI intends to expand rehabilitation and recovery activities in agriculture and fisheries; a public health doctor who arrived in 1987 will provide expertise in determining food and health needs and assessing impacts.

In FY 1989, WVI expects to continue implementing a Title II program and will request about 23,400 MT of foods with an estimated value of \$4,800,000. To the extent feasible, OAR/Maputo will encourage WVI to convert the emergency type program to regular program feeding activities targeted at specific vulnerable groups. In conjunction with this thrust, we expect to request a combination of FVA/FFP transportation and outreach funds, and OFDA relief support funds.

Country: Mozambique

## FY 1989 ANNUAL BUDGET SUBMISSION

TABLE XI

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

Commodities	Actual FY 1987		Estimated FY 1988		Projected FY 1989	
	\$	MT	\$	MT	\$	MT
Title I	NONE		NONE		NONE	

Total

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Title III

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Comment:

## FY 1989 ANNUAL BUDGET SUBMISSION

## TABLE XII

P.L. 480 TITLE I/III

Country: Mozambique

Supply and Distribution  
(000 MT)

STOCK SITUATION                      MAY 1987-APRIL 1988                      EST. FY 89

N/A

N/A

## FY 1989 ANNUAL BUDGET SUBMISSION

TABLE XIII  
P.L. 480 TITLE II

## I. Country: Mozambique

Sponsor's Name: World Vision International (WVI)

-- Family Feeding.....Total Recipients: 130,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
130,000	Corn	18,720	2,100
130,000	Beans	3,120	1,700
130,000	Vegetable Oil	1,560	1,100
TOTAL		23,400	4,800

Sponsor's Name: Government of the People's Republic of Mozambique

-- Family Feeding.....Total Recipients: 700,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
700,000	Corn	27,000	2,300
700,000	Rice	15,000	2,700
700,000	Wheat	27,000	3,500
700,000	Beans	10,000	5,500
700,000	Vegetable Oil	15,000	10,400
TOTAL		94,000	25,100

## FY 1989 ANNUAL BUDGET SUBMISSION

## MOZAMBIQUE PRIVATIZATION PLAN

I. Strategy

The AID program in Mozambique is focused on humanitarian emergency assistance and encouraging the development of the private sector. Through the Private Sector Rehabilitation (PSR) program, AID provides critically needed agricultural commodities and equipment to the private farmers in certain target regions. There has been a very positive response from farmers in the program area. Production by private sector farmers as well as commercialization of agricultural produce has increased commensurate with the inputs provided. (AID was the first donor in Mozambique to target assistance to the private sector, which from 1975 to 1984 did not received consideration from the GPRM in its investment priorities.) The PSR Program also has a technical assistance component focussing as well on assisting and expanding the private sector.

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

- \* to encourage further GPRM reforms regarding policies conducive to private sector development;
- \* to assist the GPRM in sector assessments leading to privatization of parastatals, state enterprises and intervened firms;
- \* to provide direct support to private sector firms through the financing of raw materials and increased participation in the importation and distribution of CIP-financed commodities; and,
- \* to support private sector farmers through continued provision of equipment and inputs.

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

There are numerous targets of opportunity to support the development of the private sector in Mozambique. However, interventions are constrained by the relatively small program and reduced AID staff in the country. Nonetheless, the Office of the AID Representative will undertake specific activities towards accelerating the privatization process. These include:

A. Intervened Firms. These are firms (which were abandoned by Portuguese settlers shortly after independence) over which the GPRM assumed management (but not ownership). These offer an excellent opportunity for privatization, with the GPRM actively disposed to returning them to the private entrepreneurs. Several of these firms already have been sold to the private sector and many more could be privatized, were both the investment climate and the security situation to improve. OAR/Maputo will seek ways to assist in the privatization process --- through the technical assistance program, the CIP, or local currency generated through U.S. funded programs.

B. Use of State Farm Lands. Following the failure of agricultural production in state-owned farms and the recent success of the private family and commercial sectors assisted by AID, there is an opportunity for additional privatization of state farms in AID project areas (as well as other parts of the country). The trend will continue and is convincing local government officials of the production potential of private agricultural sector.

C. Privatization of the Construction Industry. Under the technical assistance component of the PSR program, AID is supporting a study to analyze the construction industry throughout the country and make recommendations and develop a time frame for a restructuring action plan (including privatization). In light of the newly adopted economic rehabilitation program, the GPRM has renewed its interest in the study of the construction industry. The study will start in June 1987.

D. Support of Private Importers and Distributors. Under the Commodity Import Program, there has been an increasing percentage of commodities imported and distributed by private sector firms. In FY 1987, parastatals were used only when private sector firms were not available for importation or distribution of the goods financed by the CIP.

E. Long-Term Academic Training. To reinforce the GPRM determination to pursue a privatization strategy, AID will continue to provide long-term academic training in the U.S. to selective Mozambican future leaders (in the areas of Business Administration, Public Administration, Economics and Agriculture). To expand private sector management and technical capacities, we will also provide long-term academic training (under AFGRAD and AMDP) to individuals employed (or who will be employed) in the private sector.

FY 1989 ANNUAL BUDGET SUBMISSIONAMDP III COUNTRY TRAINING PLAN AND FUNDING REQUEST1. Country Training Plan for FY 1988:

The AID strategy for Mozambique focuses on support of the GPRM economic rehabilitation initiatives --- especially those aimed to rehabilitate the private sector and provide the technical and managerial manpower needs of key public institutions and private enterprises. Since the departure of the Portuguese following independence in 1975, there has been an overwhelming shortage of trained manpower throughout all sectors. Since 1986, a limited number of Mozambicans are being trained in the U.S. under the AFGRAD program implemented by the Afro-American Institute. In FY 1987, \$150,000 was allocated for manpower training under the AMDP. (This was approximately one-half of the \$300,000 per year --- and \$1.5 million over five years --- which we feel to be a minimal level of effort given Mozambique's training needs. Both programs, in a discrete manner, are aimed to address the human resources development needs of the Mozambican private sector and those public sector entities which contribute to the growth of free enterprise.

The OAR/Maputo recommends that undergraduate and graduate training in the U.S. continue to be provided under both AFGRAD and AMDP programs. To the maximum extent possible, this training should be in priority sectors supporting the current AID strategy in Mozambique: specifically, business administration, public administration, economics, and agriculture.

In FY 1987, there was an overwhelming demand for scholarships in the U.S. from both the private and the public sectors. Consequently, the AAI appointed a local Mozambican representative in January 1987 to assist in the screening of candidates and in the preparation of their documentation. Thirty-three applications were forwarded to AAI/NY for five scholarships in FY 1987.

Continuation of the AMDP training in FY 1988 and FY 1989 (at \$300,000 minimal level) will allow OAR/Maputo to provide each year an additional two scholarships leading to a Bachelors degree and two fellowships leading to graduate level degree. OAR management believes that only training in the U.S. should be funded under both the AFGRAD and the AMDP, in order to expose candidates to U.S. culture and the free enterprise economic system, as well as assisting them acquiring proficiency in the English language. With all the countries bordering Mozambique (Swaziland, South Africa, Zimbabwe, Malawi and Tanzania) speaking English, a proficiency in the language would prove quite valuable promoting regional relations and interdependence.

It is proposed that, given the staff constraints of OAR/Maputo, all documentation and follow up be done in close coordination with the Training Officer of USAID/Mbabane. Since only a reduced number of participants are proposed under the AMDP program, additional management burden on USAID/Mbabane staff will be held to an absolute minimum.

Assuming that the participants are fully funded in the original PIO/P, the FY 1988 requirement for AMDP III is \$200,000 from the EHR appropriation account and \$100,000 from the ARDN appropriation account.

## II. Country Training Plan for FY 1989 :

For FY 1989, the AAO/Maputo proposes to continue the AMDP program as proposed for FY 1988, including training objectives, proposed number of participants, and funding requested.