

AFR/TR/ARD

PD-AFX-558

55809

UNCLASSIFIED

# Annual Budget Submission

**FY 1985**

**MAURITIUS,  
SEYCHELLES &  
COMOROS**



**JUNE 1983**

Agency for International Development  
Washington, D.C. 20523

UNCLASSIFIED

TABLE OF CONTENTS

Annual Budget Submission

	<u>PAGE</u>
I. U.S. Assistance and the Indian Ocean States (IOS)	1
II. Mauritius	2
A. Introductory Narrative	2
B. AID Action Plan	3
C. Budget Tables and Narratives	5
III. Seychelles	15
A. Introductory Narrative	15
B. Action Plan	17
C. Budget Tables and Narratives	19
IV. Comoros	28
A. General Background	28
B. Economic Background	28
C. Development Problems and Priorities	29
D. AID Action Plan	30
E. Budget Tables	32

I. U.S. ASSISTANCE AND THE INDIAN OCEAN STATES (IOS)

The United States Government has important military and strategic interests in the Indian Ocean. These interests apply to the area as a whole and also to the southwestern section of the Indian Ocean in which Mauritius, Seychelles and Comoros, the three countries under consideration, are located. The fourth country generally grouped with these three in developing an Indian Ocean Strategy is Madagascar, which is the subject of a separate ABS.

A major USG strategy objective is to maintain and, if possible, expand U.S. strategic access within the region and to restrain and reduce the access of the U.S.S.R. Consequently, the first of the two principal purposes in providing assistance is to maintain friendly relations with the four Indian Ocean States (IOS). Our second and related purpose is to contribute to political stability on the assumption that over the long run this stability will offer favorable conditions for strengthening the relations between the U.S. and the Indian Ocean States.

A sustained program of assistance constitutes a demonstration of U.S. concern in the social and economic welfare of the Indian Ocean States. It is expected to provide the IOS with material and practical interests in maintaining good relations. It is also expected to reduce the possibility that the IOS would provide the U.S.S.R. with greater military and strategic access than is provided at present.

## II. MAURITIUS

### A. Introductory Narrative

Mauritius has received modest bilateral U.S. assistance since its independence in 1968. After independence, U.S. assistance was limited to a PL 480 Food for Work program and the Ambassador's Self Help Fund. In the late 70's through the present, PL 480 programs under both Title I and Title II have been executed. In 1980, a HIG program was approved, but has not been drawn down owing to high interest rates in the U.S., and GOM policy decisions to limit investments in housing during its economic crisis. Recently, because of the drop in U.S. interest rates, the GOM has expressed an interest in executing the HIG; however, no firm decision has been made.

Due to recent economic difficulties in Mauritius, the U.S. Department of State proposed, and AID approved and obligated, a \$2 million Economic Support Fund grant in FY 1982 and a second, also for \$2 million, in FY 1983. Both of these grants were designed as Commodity Import Programs to give balance of payment and budgetary support to the GOM. A \$4.0 million CIP loan program is proposed for FY 1984.

The rationale for the overall program, especially the ESF funds, is based upon the political importance of Mauritius to U.S. strategic interests in the Indian Ocean, Mauritius' willingness to receive U.S. naval ships at its port facilities, democratic principles and practices within the Mauritian political system, and residual claims on Diego Garcia. None of these conditions has altered with the June 1982 election or recent cabinet changes. On the contrary, the necessity of maintaining good relations has become more urgent in order to demonstrate to the new government U.S. support for the country as a whole and not just a particular political faction.

The development strategy for the present AID program of PL 480, ESF and a modest training program (AMDP) is three pronged:

- (1) To support agricultural diversification, and sustainable food policies,
- (2) to promote private sector activities in key development sectors such as agriculture, export processing, manufacturing, services and tourism; and
- (3) to assist the GOM to provide essential services (e.g. water supply) to the poorest elements of the population.

The first objective is pursued primarily through the PL 480 program, although modest contributions are made from CIP local currency generations. CIP generations are also targetted at private sector development and the provision of water to the poorest elements of the population. Training through AMDP supports all elements of the U.S. assistance strategy to Mauritius.

A request for \$20,000 of PD&S funds is made for both FY 1984 and FY 1985. Specialized technical advisors will be contracted to strengthen the CIP local currency activities of tourism promotion and investment and trade development. The effectiveness of the promotion activities can be increased by drawing on the experiences of other countries. The contract experts will bring to Mauritius knowledge and experience of these other programs.

#### B. Action Plan

In order to support U.S. political and strategic objectives, as well as help in the recovery of the economy of Mauritius, the U.S., through PL 480 Title I and a CIP, will provide balance of payments assistance and budgetary support. Both programs provide foreign exchange for vital imports, primarily food, that then generate local currency used to support mutually agreed upon development activities. Although the proposed 1985 level of \$9.0 million, \$5.0 million for PL 480 and \$4.0 million for a CIP, is relatively modest, combined with IMF, IBRD and other donor transfers, it becomes an integral part of an effective economic recovery program.

Because the levels of U.S. assistance will be comparatively modest--both as a portion of the recipients' GDP and in relation to other donors--demands on the host-government should be correspondingly modest. Additionally, since there will be no direct hire staff on the island, and the aim is to implement the program with a minimum U.S. presence, it is desirable, for this reason as well, to make the forms of assistance as simple as possible, and to minimize the possibilities of friction that can arise in the process of program execution. Thus, the selection of the relatively simple program vehicles of PL 480 and a CIP to channel U.S. assistance is most appropriate. They are relatively easy to implement and, by providing foreign exchange for vital imports, both programs address the serious balance of payments problem, and, at the same time, generate local currency for development activities.

The management requirements of the program will be relatively small. REDSO/ESA, with its broad range of staff skills, will handle program development and design. Implementation monitoring will be coordinated and directed by REDSO, but will require substantial Embassy staff assistance. The Embassy has assigned a FSN assistant commercial officer to act as liaison. This joint monitoring/implementation arrangement has been used for the past few years and proved satisfactory.

An important implementation objective for 1984 and 1985 is to tighten monitoring of PL 480 local currencies and program them and CIP generations into a coordinated program that clearly demonstrates U.S. assistance and has a measurable impact on agricultural diversification and the private sector.

FY 1985 ANNUAL BUDGET SUBMISSION  
TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$000)  
COUNTRY/OFFICE: Mauritius

	FY 1983	FY 1984		FY 1985	PLANNING PERIOD			
	ESTIMATE	CP	ESTIMATE	AAPL	1986	1987	1988	1989
Development Assistance	-	-	-	-	-	-	-	-
Economic Support Fund								
Grant	2,000	-	-	-	-	-	-	-
Loan	-	-	4,000	4,000	4,000	4,000	-	-
PL 480 (non-add)								
Title I	3,500	-	5,000	5,000	5,000	5,000	5,000	5,000
Title II-WFP	772 <sup>(1)</sup>		650	600	600	600	600	600

Notes: (1) As of April 1983

Total Personnel	
USDH	None as of FY 83. None anticipated beyond FY 83
FNDH	

FY 1985 ANNUAL BUDGET SUBMISSION  
TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
FY 1983 TO FY 1985 (\$ THOUSANDS)

Country/Office Mauritius

<u>Appropriation Account</u>	FY 1983	FY 1984	FY 1985
1. Economic Support Funds			
a. CIP II (642-0004)	2,000 (G)		
b. CIP III (642-0005)		4,000 (L)	
c. CIP IV (642-0006)			4,000 (L)
2. PD&S (non-add)		20	20
3. AMDP (non-add)	75	100	125

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA

Country/Office

MAURITIUS

PROJECT		G/L	Obligation Date		Life of Project Cost		Cum Pipeline As Of 9/30/82	Estimated U.S. Dollar Cost (\$000)								
								FY 1983		FY 1984		FY OBLIGATION		1985 AAPL	FUNDING TO MO/YR	FUTURE YEARS
								OBL	EXP	OBL	EXP	1983	1984			
Number	Title	Initial	Final	Auth	Plan											
642-0002	CIP I	G	1982	1982	2000/2000	-	-	-	-	-	-	-	-	-		
642-0004	CIP II	G	1983	1983	2000/2000	-	2000	2000	-	-	-	-	9/83	-		
642-0005	CIP III	L	1984	1984	4000/4000	1	-	-	4000	4000	-	-	9/84	-		
642-0006	CIP IV	L	1985	1985	4000/4000	-	-	-	-	-	4000	-	9/85	-		

-8-  
 FY 1985 ANNUAL BUDGET SUBMISSION

TABLE V - FY 1985 PROPOSED PROGRAM RANKING					Country/Office MAURITIUS	
RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING NEW	LOAN GRANT	APPR ACCT	PROGRAM FUNDING (\$000)	
					INCR	CUM
1	PL 480 Title I	N	G	FFP	5,000	5,000
2	Economic Support II	N	L	ESF	4,000	4,000

COMMODITY IMPORT PROGRAM IV 642-0006  
ESF: \$4,000,000 (Loan)

Purpose: To provide balance of payment and budgetary support to the Government of Mauritius through a Commodity Import Program.

Background/Problem: Mauritius is presently faced with major economic adjustment difficulties. These difficulties have intensified over the past three years, owing primarily to adverse weather. 1981/82 was the first normal year for the sugar industry since economic stabilization measures were initiated. The measures have thus had only marginal impact on basic underlying economic factors, such as the budget and balance of payments deficits. The public debt has grown to such dimensions during the past three years that drastic measures are now required to improve economic performance. These measures involve the reduction of the budget deficit and increases in productive output for both the domestic and export markets. In September 1981, the GOM and IMF reached agreement on a second stabilization program, including a further 20 percent devaluation. The program is being successfully implemented. The World Bank is in the final stages of negotiation for a Structural Adjustment Loan II (SAL II).

While stabilization efforts to date have been significant, they have not yielded all of the expected results. Thus, the adjustment effort will have to be intensified to improve the situation, rather than merely containing it. Doing so will require increases in production, diversification of production in both agriculture and manufacturing, and expansion of exports. Since this can only be achieved over the medium term, substantial improvements in the economy cannot be expected in less than a five year framework. During this period, additional donor support is required to help the people and economy of Mauritius to adjust to the burdens of economic recovery.

Commodity Import Program IV: There are three economic rationales which justify the proposed Commodity Import Program: 1) budgetary support for the GOM to reduce its budget deficit; 2) balance of payments support during a period of unprecedented shortage of foreign exchange; and 3) local currency generations to finance priority investments in the productive sectors of the economy. A two phase assistance program is planned drawing upon the positive experience of the the previous CIPs. First, \$4.0 million of loan funds will be made available to finance

the dollar costs of commercial imports from the U.S. for the productive sector. Second, the local currency which will be generated by the purchase of the imports will be deposited in a special account available to support mutually agreed upon activities which promote the target areas identified in the SPS.

PL 480 TITLE I

PL 480 food for development in Mauritius has centered primarily on annual Title I Agreements since 1979. Agreement levels have been:

FY 79:	\$2.0
FY 80:	\$2.8
FY 81:	\$3.5
FY 82:	\$3.5
FY 83:	\$3.5

The Embassy is proposing a level of \$5.0 for both FY 1984 and 1985 to ameliorate Mauritius' precarious BOP and foreign exchange position. A firmer link of Title I self-help measures to the goals/objectives of the CIP program is actively being pursued. Mauritius is reacting positively and favorable to provide more timely documentation and accounting relative to implementation of self-help measures.

## FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XI

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

COMMODITIES	FY 1983					Estimated FY 1984 (1)					Projected FY 1985 (1)				
	Agreement		Shipments		Carry into FY 1983	Agreement		Shipments		Carry into FY 1984	Agreement		Shipments		Carry into FY 1985
	\$	MT	\$	MT		\$	MT	\$	MT		\$	MT	\$	MT	
<u>Title I</u>															
Rice	2.2	7.2	2.2	7.2	0	3.0	9.0	3.0	9.0	0	3.0	8.1	3	8.1	0
Wheat Flr.	1.3	5.1	1.3	5.8	0	2.0	8.0	2.0	8.0	0	2.0	8.0	2	8.0	0
<u>Total</u>															
<u>Of which Title III</u>															
None															
<u>Total</u>															

COMMENT: (1) Based on prices, State 129958

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XII

Country/Office Mauritius

PL 480 Title I/III

Supply and Distribution  
(000 Metric Ton.)

<u>STOCK SITUATION</u>	<u>FY 1984</u>	<u>ESTIMATED FY 1985</u>
Commodity - Rice		
Beginning Stocks	12.0	20.5
Production	- 0 -	- 0 -
Imports		
Concessional	8.0	9.0
Non-Concessional	75.0	60.0
Consumption	74.5	75.0
Ending Stocks	20.5	14.5
<hr/>		
Commodity - Wheat Flour		
Beginning Stocks	9.0	9.0
Production	-0-	-0-
Imports	8.0	8.0
Concessional		
Non-Concessional	52.0	52.0
Consumption	60.0	60.0
Ending Stocks	9.0	9.0

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XIII

PL 480 TITLE II

I. Country MAURITIUS

Sponsor's Name No current or anticipated programs

A. Maternal and Child Health.....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total MCH		_____	_____

B. School Feeding.....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total School Feeding		_____	_____

C. Other Child Feeding.....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other Child Feeding		_____	_____

D. Food for Work.....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Food for Work		_____	_____

E. Other (Specify).....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other		_____	_____

II. Sponsor's Name \_\_\_\_\_

### III. SEYCHELLES

#### A. Introductory Narrative

The backdrop against which the country's development problems and priorities must be viewed consists of several important factors. The economy of the Seychelles is very small, its arable land area is very limited and, with the exception of tourism, it has only limited potential for development. Prior to 1970, the country relied largely on a few plantation crops for export. Its imports were similarly modest. However, following the construction of an international airport in 1971, tourism and the role that it played in the country's economy expanded rapidly. Tourism easily became the most significant growth sector in the economy. This was accompanied by a rapid rise in imports, in large part to service the tourist industry. A decade later the economy continues to expand and contract in response to the level of tourism. The major problem confronting the Seychelles at the present time is the marked decline in tourism revenues. Conversely, a rejuvenation of the tourism sector would do much to stimulate the development prospects of the country. An encouraging sign in that direction is the fact that the government is taking very active steps to promote additional tourism in its principal European markets.

Viewed in this context, there are three problems areas which are expected to prove troublesome over the near term: a growing gap between exports and imports (the latter outweigh the former by a factor of 25), which can only realistically be closed by a resurgence of tourism; the increasing dependence of the country upon foreign donor assistance to finance its development activities; and, the continued small, but steady, exodus of trained Seychellois who oppose many of the government's policies. These are problem areas for which no solutions are readily evident. The first two, in particular, are strongly influenced by exogenous factors, such as the world economic recession, which impacts directly on both donor assistance levels and tourism prospects.

Aside from a few small activities funded under the Ambassador's self-help fund, there are presently only three on-going AID-funded activities in the Seychelles. These are: 1) the Food Crops Research project funded for the total LOP amount of \$1,520,000; 2) the FY 1982 \$2,000,000 CIP; and 3) the PL 480 Title II Program (a CRS MCH--School feeding program) at an approximate annual level of \$300,000.

The Food Crops Research project was slow in getting off the ground, but it is now progressing at a satisfactory pace. This project is expected to be completed by mid-1984. Approximately \$1,800,000 has been disbursed under the FY 1982 CIP and it should be fully disbursed by September 1983. The PL 480 Title II program has progressed satisfactorily.

A HIG program was approved in 1982, but it has not been drawn down due to high interest rates in the U.S.

The rationale for continuing A.I.D. assistance to the Seychelles for balance payments purposes at the \$2.0 million level for the near term is described in the Action Plan section.

## B. Action Plan

The A.I.D. strategy, and the recommended A.I.D. program to achieve U.S. objectives, remain basically unchanged from prior A.I.D. document submissions (e.g., ABS and Small Program Strategy Statement). For mainly political and strategic reasons, the U.S. has a strong interest in continuing to provide A.I.D. assistance to the Seychelles at the present level (\$2.0 million per annum) for at least the near term. These reasons are to assure continued acceptance of the U.S. tracking station, to maintain as friendly relations as possible with this strategically located Indian Ocean State and to make the Seychelles less economically vulnerable to requests by the Soviet Union for expanded access. Given those parameters, the principal question to address is the form such assistance should take. The very small size of the country's economy greatly reduces the options for developing an assistance strategy. Furthermore, the presence of numerous other donors (several providing much more substantial assistance) has constrained our development planning efforts.

After examining several alternatives last year, it was decided to provide assistance in the form of a CIP that financed the importation of medium grade fuel oil for diesel generators. The GOS has, and continues to face, serious balance of payments problems due to the drop in tourism revenues, its principal source of foreign exchange, and a continued high level of imports. This year we examined various assistance modalities and have again opted to provide balance of payments support through a CIP that will finance the imports of fuel oil. In reaching that decision we examined, and rejected, both project assistance and a cash transfer. The difficulties of monitoring projects from a distance, plus the administrative burdens it would place on the Embassy's limited staff, argued strongly against the project approach. The absence of exchange controls and other difficulties argued against a cash transfer. Although a CIP is our preferred mode of assistance, the possibility of importing commodities other than fuel oil was discussed. We were particularly interested in other commodities that might offer a potential for stimulating U.S. trade. Unfortunately, no viable opportunities were identified. This is not surprising given the Seychelles' Lilliputian economy, its distance from the U.S. and the fact that several of its principal European trading partners also offer the Seychelles external assistance. Although recent trade statistics indicate imports from the U.S. of over \$2 million, these consist of a wide variety of commodities and do not lend themselves to easy packaging.

Narrowing further the list of commodities to those required and which make economic sense, REDSO/ESA, the Embassy and the GOS have jointly agreed to continue the importation of fuel oil.

We intend to examine our options again in 1984. However, barring a sudden demand for other commodities which AID would be willing to supply, we anticipate continuing the procurement pattern established last year.

REDSO/ESA has taken a pragmatic approach to the programming of local currencies generated under the CIP. Although our preference is to work within the agriculture sector, the limited number of farmers and absorptive capacity makes a concentration of effort in that one sector unrealistic. Therefore, we have adopted a flexible approach that will enable AID to respond to GOS development needs across a broad range of sectors. In addition to agriculture, these include public services (water and sewage), human resource training, outer islands development, road maintenance and improvement, housing and, possibly, entrepreneurial development. In consideration of the key role that tourism plays in the economic well-being of the country, we are prepared to give consideration to assisting that sector as well.

With regard to the ongoing PL 480 program, the Government of the Seychelles has indicated that it will seek ways to reduce the U.S. input to the school feeding program.

In summary, given the nature of U.S. interests in the Seychelles, the size and absorptive capacity of the economy and our own limited resources, REDSO/ESA and the Embassy have chosen a flexible approach which takes into account the realities of the situation. In proceeding with a CIP that finances medium grade fuel oil, we have, we believe, selected an appropriate assistance strategy which responds to a real Seychelles requirement and, at the same time, generates local currencies for use for economic and social development purposes. This CIP program approach also places the least administrative burden on the GOS, the U.S. Embassy/Victoria, and REDSO/ESA.

FY 1985 ANNUAL BUDGET SUBMISSION  
 TABLE I: LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$000)  
 COUNTRY/OFFICE SEYCHELLES

	FY 1983		FY 1984 ESTIMATE	FY 1985 AAPL	PLANNING PERIOD			
	ESTIMATE	CP			1986	1987	1988	1989
Development Assistance	-	-	-	-	-	-	-	-
Economic Support Fund Grant	2,000		2,000	2,000	2,000	-	-	-
PL 480 (non-acc)								
Title I (of which Title III)	-	-	-	-	-	-	-	-
Title II WFP	244	-	259.0	330	340	300	300	250
<hr/>								
Total Personnel								
USDH	None as of FY 83. None anticipated beyond FY 83							
FNDN								
<hr/>								

FY 1985 ANNUAL BUDGET SUBMISSION  
TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
FY 1983 TO FY 1985 (\$ THOUSANDS)

Country/Office Seychelles

---

<u>APPROPRIATION ACCOUNT</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Economic Support Fund			
1. FY 1983 CIP	2,000 (G)		
2. FY 1984 CIP		2,000 (G)	
3. FY 1985 CIP			2,000 (G)
AMDP II (non-add)	10	30	30

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE IV FUNDING BUDGET DATA

COMMITMENT  
SFYCHELLES

Project		Estimated U.S. Dollar Cost (\$ MIL)													
		Obligation Date		Life of Project Cost	Cum Pipeline As Of 9/30/82	FY 1983		FY 1984		FY OBLIGATIONS					
		Initial	Final			Actual Plan*	DDL	EXP	DDL	EXP	1983 AARL	1984 TO MO/YR	1985 TO MO/YR	1986 TO MO/YR	
Number	Title	G/L	Initial	Final	Actual Plan*	DDL	EXP	DDL	EXP	1983 AARL	1984 TO MO/YR	1985 TO MO/YR	1986 TO MO/YR	1987 TO MO/YR	
	FY 1982 CIP	G	1982	1982	2000/2000	900									
	FY 1983 CIP	G	1983	1983	2000/2000	-	2000	2000				7/83			
	FY 1984 CIP	G	1984	1984	2000/2000	T			2000	2000	2000	7/84			
	FY 1985 CIP	G	1985	1985	2000/2000							7/85			

- 21A -  
 FY 1985 ANNUAL BUDGET SUBMISSION

TABLE V - FY 1985 PROPOSED PROGRAM RANKING					Country/Office SEYCHELLES	
RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING NEW	LOAN GRANT	APPR ACCT	PROGRAM FUNDING (\$000)	
					INCR	CUM .
1	PL 480 Title II	O	G	FFP	330	330
2	CIP	N	G	FSF	2,000	2,000

Commodity Import Program (CIP) IV  
ESF: \$2,000,000 (Grant)

Purpose: The purpose of this program is to provide support to the Government of the Seychelles (GOS) to ameliorate its negative balance of payments position.

Background/Problem: Aside from U.S. political interest in the Seychelles (maintenance of U.S.A.F. Tracking Station, political stability of GOS, and reduced Soviet Union access for the port facilities, the negative balance of payments situation is expected to continue in the Seychelles for the foreseeable future. The Seychelles economy is basically vulnerable to factors outside the control of the GOS. Imports have historically exceeded exports by a factor of 25 and tourism, the GOS' main foreign exchange earner, has been the major avenue for closing the balance of payments gap. While the level of external assistance for the Seychelles was in excess of \$30.0 million in 1982, which has helped to close the balance of payments gap, tourism will be the key factor which will determine the economic health of the Seychelles, at least for the next 5-10 years. It is difficult to predict how successful the GOS will be in revitalizing the tourism industry. However, (1) the slow pace of world economic recovery, 2) the higher relative cost of vacations in the Seychelles, 3) the declining level of tourism services provided, and 4) the withdrawal of two major European carriers from the Seychelles, are all negative factors affecting tourism revenues. The AID prognosis is, therefore, that the balance of payments picture will continue to be negative in the short term. The AID program is intended to provide balance of payments assistance to narrow the gap.

FY 1985 CIP: AID ESF funds will be used to procure \$2.0 million of medium fuel oil (MFO) from Code 941 sources. There appear to be no identifiable commodities which are basically homogenous and can be provided by one or two U.S. suppliers using a very limited number of competitive procurement actions. In fact, past imports from the U.S. total approximately \$2.0, but cover such a wide range of goods as to make it exceedingly difficult and impracticable to implement a program for the procurement of goods from the U.S.

The advantages of purchasing MFO are: 1) the procurements are quick disbursing; 2) it entails a minimum of administrative burden on the GOS, the U.S. Embassy/Victoria and REDSO/ESA; 3) AID experience in the procurement of this commodity under the FY 1982 CIP was satisfactory; and 4) the U.S. dollar financing will flow to a Code 941 country.

MFO is used by the Seychelles Electric Corp. Ltd. to generate electric power in the Seychelles. Given the GOS' satisfactory experience under the FY 1982 CIP, the GOS desires that AID continue its Commodity Import Program and continue financing MFO. Under the circumstances, the GOS' position appears most reasonable.

The limited population (approx. 65,000), number of farmers, and absorptive capacity makes the concentration of effort in the agricultural sector unrealistic. A flexible approach is required. Local currency generations will probably be programmed by the GOS and AID across a broad range of sectors. AID and the GOS will explore and determine those developmental activities which are of highest priority and impact during the preparation of the FY 1985 CIP.

PL 480 NARRATIVE

Following PL 480 Title II guidelines issued for FY 1983, the voluntary agency, CRS, has implemented a phase-out of the school feeding program in Seychelles. Such phase-out will reduce the PL 480 Title II program on the island to the extent that an intensive review of the remainder of the volag program will be required to justify continued PL 480 Title II shipments. The phase-out of the school feeding section reflects positively on the voluntary agency's development of a viable school feeding project which has been enthusiastically supported and picked up by the host government.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XI

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

COMMODITIES	FY 1983 *			Estimated FY 1984			Projected FY 1985		
	Agreement		Carry into FY 1983	Agreement		Carry into FY 1984	Agreement		Carry into FY 1985
	\$	MT		\$	MT		\$	MT	
<u>Title I</u>									
<u>Total</u>									
<u>Of which Title III</u>									
<u>Total</u>									

COMMENT: \* No Title I/III up to FY 83. None anticipated beyond FY 83

-25-

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XII

Country/Office Seychelles

PL 480 Title I/III\*

Supply and Distribution  
(000 Metric Ton)

<u>STOCK SITUATION</u>	<u>FY 1984</u>	<u>ESTIMATED FY 1985</u>
Commodity - Rice		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		
<hr/>		
Commodity - Wheat Flour		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		
<hr/>		
Commodity -		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Comment:

No Title I/III anticipated.\*

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XIII

PL 480 TITLE II

I. Country SEYCHELLES

Sponsor's Name CRS

A. Maternal and Child Health.....Total Recipients 9,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
<u>9,000</u>	<u>NFDM 110</u>	<u>216.0</u>	<u>23.8</u>
<u>9,000</u>	<u>Rice 380</u>	<u>216.0</u>	<u>82.0</u>
<u>9,000</u>	<u>Vegoil 904</u>	<u>54.0</u>	<u>48.8</u>
<u>Total MCH</u>			

B. School Feeding.....Total Recipients 13,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
<u>13,000</u>	<u>NFDM 110</u>	<u>58.5</u>	<u>6.4</u>
<u>13,000</u>	<u>Rice 380</u>	<u>204.7</u>	<u>97.8</u>
<u>13,000</u>	<u>Vegoil 904</u>	<u>23.4</u>	<u>21.1</u>
<u>Total School Feeding</u>			

C. Other Child Feeding.....Total Recipients 2,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
<u>2,000</u>	<u>NFDM 110</u>	<u>9.0</u>	<u>1.0</u>
<u>2,000</u>	<u>Rice 380</u>	<u>31.5</u>	<u>11.9</u>
<u>2,000</u>	<u>Vegoil 904</u>	<u>3.6</u>	<u>32.5</u>
<u>Total Other Child Feeding</u>			

D. Food for Work.....Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
<u>Total Food for Work</u>			

E. Other (Specify).....General Relief.....Total Recipients 250

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
<u>250</u>	<u>Rice 380</u>	<u>10.8</u>	<u>4.1</u>
<u>250</u>	<u>Vegoil 904</u>	<u>1.2</u>	<u>1.1</u>
<u>Total Other</u>			

II. Sponsor's Name None

Total Recipients: 24,250  
 MT/Total: 828.2  
 \$ Value : 310.1

#### IV. COMOROS

##### A. General Background

The Comoros is an archipelago situated at the north end of the Mozambique channel composed of three main islands, plus Mayotte, which has traditionally been considered as a part of Comoros but is still under French control. The islands have an area of 2,166 sq. Kms. and a population of 400,000. The ratio of population to agricultural land is 367, a higher ratio than that of Rwanda and Burundi which have the highest population density in Africa. The country is one of the poorest in the world with a per capita income of only \$260 in 1979.

The Comoros is a federal Islamic republic and Islam is the religion on three of the islands. The fourth island, Mayotte, is largely Catholic. France gained control of the islands in the mid-1800's and retained possession until the Comorian Chamber of Deputies unilaterally declared independence in 1975. The island of Mayotte refused to join in the UDI and they remain today under French control as a "collective territorial particuliere." France maintains a naval base on an islet of Mayotte.

##### B. Economic Background

The economy of the Comoros is dominated by agriculture with the sector contributing over 40 percent of GDP and accounting for nearly all commodity export earnings. Between 80 and 90 percent of the population depend on agriculture for their livelihood and nearly 60 percent of the production is for subsistence. About 10 percent of the cultivated land is planted with high value cash crops such as ylang-ylang (for making perfume), coconut, vanilla and cloves, the bulk of which is exported. Food imports, especially rice, are high and absorb almost the entire export revenue. The major crops produced for local consumption are bananas and cassava. Sweet potatoes, yams, breadfruit, some locally grown maize and mountain rice are also eaten. The government is attempting to encourage maize cultivation, but the taste preference is now for imported rice. Edible oils have to be imported. The coastal waters are not rich in fish, since the continental shelf is narrow, and present catches are limited by the paucity of local canoes equipped with outboard motors.

In recent years two major trends have become apparent. First, there were increases in investment, public consumption and

imports, which were facilitated by resumed capital inflows and balance of payments support. Second, on the production side, there has been a surge in construction activity accompanied by near stagnation in other sectors of the islands' economy.

Export earnings from goods and services in 1980 were down about 30 percent in real terms below the previous year, mainly due to a virtual stoppage in vanilla exports. In 1981, exports and prices of both vanilla and ylang-ylang made substantial improvements. Vanilla exports in the first quarter of 1981 totalled 95 tons compared with 13 tons for the whole of 1980. French imports of ylang-ylang from the Comoros increased about 50 percent in 1981 over the previous year. Clove exports were also expected to increase. Food and consumer goods account for about 70 percent of Comoros' merchandise imports, with rice being the single most important commodity. Petrol is the single highest value import. With respect to the balance of payments, the current account balance has been negative since 1979.

#### C. Development Problems and Priorities

The lack of trained manpower is an underlying constraint to all development in the Comoros. Almost no public or private sector employees are adequately trained to perform their tasks. An IDA credit to build and equip a teacher training college, a health college and an agricultural college will help to alleviate part of the problem, but much more training is required.

In the agriculture sector, deforestation of the extremely mountainous terrain is a major problem. The resulting soil erosion is exacerbating the decline of arable land. The marketing system for both the agriculture and fisheries sectors, with the exception of some cash crops, is practically non-existent. The infrastructure necessary to move crops is also very rudimentary with respect to both the road network and transportation. The revival of abandoned ylang-ylang plantations on Granu Comore and the other islands, abandoned during the Soilih regime, may be more attractive than undertaking new development projects, although title disputes to these plantations could present a problem.

In the health area, the increase of population at a growth rate approaching 4 percent per annum is clearly a problem, and acknowledged as such by the Prime Minister. Health care is provided free, though it is limited by lack of facilities and trained manpower. It is an area attracting foreign donor

assistance. A 3-year project financed by CIDA and implemented by the University of Laval has been working on primary health care activities. These could be extended or replicated. Another area of concern in the health field is the high morbidity from malaria.

#### D. AID Action Plan

During FY 1984 and 1985, AID expects to commence small scale activities in soil conservation, road maintenance, and primary health care to be implemented through an OPG to CARE. The CARE activity will provide technical assistance and commodity support for;

- a) soil conservation, agroforestry and reforestation (Anjouan Island);
- b) road maintenance and repair (Grand Comore Island); and
- c) preventive primary health care (Moheli Island).

As all these initiatives are intended to be implemented over a 3-5 year time frame, the accomplishments to be achieved during FY 1984 and 1985 will principally be design and initial implementation actions. It is estimated that \$45,000 will be required from PD&S funds for completion of the design. Obligations of \$30,000 and \$15,000 are planned for FY 1983 and FY 1984 respectively.

CARE and REDSO/ESA are presently working out the management arrangements necessary for CARE's presence in the Comoros. Current indications are that it will be a standard OPG, following CARE's administrative and management procedures. Funding is, however, expected to be largely, perhaps exclusively, from AID. REDSO/ESA has been involved in supporting CARE's initial visit to the Comoros and will continue to collaborate with CARE during the design phase. REDSO/ESA will also authorize the OPG to CARE at the appropriate time. Thereafter, CARE's procedures for implementation will relieve REDSO/ESA of much of the detail of implementation management.

The level of resources required to accomplish AID objectives and fund the CARE OPG are very tentative at this point. An OPG design team is scheduled to begin work in September of 1983. The proposed funding to be obtained from ESF for the OPG is estimated at \$900,000 per year for the five year life of the project (1984-88).

The CARE OPG initiatives were deliberately selected to respond to the development problems and priorities identified by the Government of the Comoros. The use of CARE as an implementing agent permits AID to commence development activities in the Comoros without the necessity of establishing a direct AID physical presence. This strategy for design and implementation is consistent with the perspective of the U.S. Embassy (resident in Antananarivo) which has been fully involved with REDSO/ESA and CARE plans.

CARE design activities and implementation actions will be coordinated with the U.S. Embassy (Antananarivo), but the nature of OPG implementation will mean that the actual workload requirements on the Embassy staff will be very nominal.

FY 1983 ANNUAL BUDGET SUBMISSION  
TABLE 1: LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$000)  
COUNTRY/OFFICE COMOROS

	FY 1983		FY 1984 ESTIMATE	FY 1985 AAPL	PLANNING PERIOD			
	ESTIMATE	CP			1986	1987	1988	1989
Development Assistance	-	-	-	-	-	-	-	-
Economic Support Fund Grant	-	-	900	900	900	900	900	-
Loan								
PL 480 (non-add)								
Title I								
Title II WFP	788(1)		800	800	800	800	800	800

(1) As of April 83

---

Total Personnel	
FNDH	None as of FY 83. None anticipated beyond FY 83.
USDH	

---

FY 1985 ANNUAL BUDGET SUBMISSION  
TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
FY 1983 TO FY 1985 (\$ THOUSANDS)

Country/Office: Comoros

---

<u>APPROPRIATION ACCOUNT</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
ESF (Care OPG)	-	900	900
PD&S (non-add)	30	15	-
AMDP I (non-acc)	-	30	60

-36-  
 FY 1985 ANNUAL BUDGET SUBMISSION

TABLE V - FY 1985 PROPOSED PROGRAM RANKING			Country/Office COMOROS			
RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING NEW	LOAN GRANT	APPLIC ACCT	PROGRAM FUNDING (\$100)	
					INCR	CRN
1	ESF (CARE OPG)	N	G	FSF	900	900

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA

Country/Office  
~~XXXXXXXX~~ COMOROS

PROJECT		Estimated U.S. Dollar Cost (\$000)												
		Obligation Date		Life of Project Cost		Cum Pipeline As Of 9/30/82	FY 1983		FY 1984		FY OBLIGATIONS			
							GBL	EXP	GBL	EXP	1985 AAPL	ENDED TO MO/YR	1985 FY85	1985 FY86
Under	Title	S/L	Initial	Final	Auth	Plan*								
	CARE OPG	G	84	88	4,500	-	-	900	500	900	3/86	900	1800	

ANNUAL BUDGET SUBMISSION, FY 1985 :

MAURITIUS, SEYCHELLES & COMOROS

AFRICA REGIONAL

ANNUAL BUDGET SUBMISSION

PD-AAX-558

1 OF 1 (24X)

1983