

**UNCLASSIFIED**

**Annual Budget  
Submission**

**FY 1990**

**MOZAMBIQUE**

**May 1988**



**Agency for International Development  
Washington, D.C. 20523**

**BEST AVAILABLE**

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## FY 1990 ANNUAL BUDGET SUBMISSION

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table I - Long Range Plan By Appropriation Account  
(\$000)

	FY 1987	FY 1988	FY 1989		FY 1990	PLANNING PERIOD				
	ACTUAL	ESTIMATE	CP	ESTIMATE	AAPL	1991	1992	1993	1994	
<b>DEVELOPMENT FUND FOR AFRICA</b>										
TOTAL	-----	15000	15000	15000	20000	20500	21000	21000	21500	
GRANTS	-----	15000	15000	15000	20000	20500	21000	21000	21500	
<b>ECONOMIC SUPPORT FUND</b>										
TOTAL	10,000	-----	-----	-----	-----	-----	-----	-----	-----	
GRANTS	10,000	-----	-----	-----	-----	-----	-----	-----	-----	
LOANS	-----	-----	-----	-----	-----	-----	-----	-----	-----	
<b>DFA AND ESF TOTAL</b>										
TOTAL	10,000	15000	15000	15000	20000	20500	21000	21000	21500	
GRANTS	10,000	15000	15000	15000	20000	20500	21000	21000	21500	
LOANS	-----	-----	-----	-----	-----	-----	-----	-----	-----	
<b>P.L. 480</b>										
TITLE I	-----	-----	-----	-----	-----	-----	-----	-----	-----	
TITLE II 28629	-----	33723	4487	31700	19487	21139	35000	35000	35000	
<b>HOUSING GUARANTIES</b>										
<b>TOTAL PERSONNEL</b>										
USDH WORKYEARS		10		10	10					
FNDH WORKYEARS		2		2	2					
IDI		0		0	0					
PT		0		0	0					

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 Table III - Project Obligations By Appropriation  
 (\$000)

Project No. and Title	FY 1988 ESTIMATE	FY 1989 ESTIMATE	FY 1990 AAPL
HRDA Human Resources Development	150	300	500
0201 Private Sector Rehab.	14,500	- -	- -
0207 Child Survival Pilot	250	250	- -
0208 Private Sector Support	- -	14,000	14,000
0209 Zambezia Child Survival	- -	- -	1,000
0210 Private Sector Develop Fund	- -	- -	4,000
0510 Program Develop and Support	100	450	500
Totals	15,000	15,000	20,000



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FY 1990 ANNUAL BUDGET SUBMISSION  
Table IV Attachment 1  
Forestry

APPROPRIATION/ACCOUNT	LIFE	FY 88	FY 89	FY 90
PROJECT NO. TITLE	PROJ	EST	EST	AAPL

---

AID Mozambique programs do not include funding for forestry.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table IV Attachment 2  
Integrated Resource Management

APPROPRIATION/ACCOUNT	LIFE	FY 88	FY 89	FY 90
PROJECT NO. TITLE	PROJ	EST	EST	AAPL

---

AID Mozambique programs do not include funding for integrated resource management.

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Table IV Attachment 3  
Biological Diversity

APPROPRIATION/ACCOUNT	LIFE	FY 88	FY 89	FY 90
PROJECT NO. TITLE	PROJ	EST	EST	AAPL

---

AID Mozambique programs do not include funding for biological diversity.

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 Table IV - Attachment 4  
 Child Survival

<u>PROJ. NO &amp; TITLE</u>	<u>APPN</u>	<u>LOP</u> <u>FUND</u> <u>(\$000)</u>	<u>ORT</u> <u>%</u>	<u>IMM</u> <u>%</u>	<u>NUT</u> <u>%</u>	<u>HRB</u> <u>%</u>	<u>OTH/CS</u> <u>%</u>	<u>TOTAL CS</u> <u>%</u>	<u>NON-CS</u> <u>%</u>
CS									
HE									
Child Survival Pilot 656-0207	ADF	500	20	20	40	-	-	80	20
Zambezia Child Survival 656-0209	ADF	4,000	20	20	40	-	-	80	20
FN									
ESF									

ORT - Oral Rehydration Therapy  
IMM - Immunization  
OTH/CS - Other Child Survival

HRB - High Risk Birth  
NUT - Nutrition

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table IV Attachment 5  
Basic Education

APPROPRIATION/ACCOUNT	LIFE	FY 88	FY 89	FY 90
PROJECT NO. TITLE	PROJ	EST	EST	AAPL

---

AID Mozambique programs do not include funding for basic education.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table IV Attachment 6  
AIDS  
(\$000)

APPROPRIATION/ACCOUNT	LIFE	FY 88	FY 89	FY 90
PROJECT NO. TITLE	PROJ	EST	EST	AAFL

---

AIDS (Not included within Mission OYB)				
WHO Support		(300)	(500)	(500)

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Table V - Proposed Program Ranking  
(\$000)

RANK	PROJECT TITLE	NEW/ CONT	APPROP	PROGRAM FUNDING (\$000)	
				INCR	CUM
1.	0208 - Private Sector Support	C	ADF	14,000	14,000
2.	PL02 - Section 206	C	P2	(19,487)	14,000
3.	HRDA - Human Resources Develop	C	ADF	500	14,500
4.	0510 - Program Develop & Support	C	ADF	300	14,800
5.	0209 - Zambezia Child Survival	N	ADF	1,000	15,800
6.	0510 - Program Develop & Support	C	ADF	200	16,000
7.	0210 - Private Sector Dev. Fund	N	ADF	4,000	20,000

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FY 1990 ANNUAL BUDGET SUBMISSION  
 Table VI: Expenditures of Local Currency Generations  
 (all in U.S. dollar equivalents, \$000,000)

<u>Source/Purposes</u>	<u>1987 Actual</u>	<u>1988 Estimate</u>	<u>1989 Planned</u>	<u>1990 Proposed</u>
<b>I. <u>ECONOMIC SUPPORT FUND</u></b>				
A. Public Dev. Activities	-	-	-	-
B. Private Sector Programs	-	-	-	-
C. Public Sector Recurrent Budget	-	8.7	4.8	-
1. Health Sector				
2. Education Sector				
D. A.I.D. Operating Expenses (Trust Fund)	.1	.2	-	-
<hr/>				
SUBTOTAL OF ESF LC EXPENDITURES	.1	8.9	4.8	-
(UNEXPENDED ESF LC BALANCE AT END OF EACH YEAR, I.E. THE PIPELINE)	2.6	4.8	-	-
<hr/>				
<b>II. <u>DEVELOPMENT ASSISTANCE (IF ANY) AND DEVELOPMENT FUND FOR AFRICA</u></b>				
A. Public Development Activities	-	-	-	3.1
1. World Bank and Other Donors				
B. Private Dev. Programs	-	-	-	3.1
1. Micro Enterprise Development				
2. Privatization				
C. Public Sector Recurrent Budget	-	-	4.0	8.8
1. Health Sector				
2. Education Sector				
D. A.I.D. Operating Expenses (Trust Funds)	-	-	.1	.1
<hr/>				
SUBTOTAL OF DA LC EXPENDITURES	-	-	4.1	15.1
(UNEXPENDED DA LC BALANCE AT END OF EACH YEAR, I.E. THE PIPELINE)	-	-	3.5	3.5

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FY 1990 ANNUAL BUDGET SUBMISSION  
 Table VI: Expenditures of Local Currency Generations  
 (all in U.S. dollar equivalents, \$ 000,000)  
 (Continuation)

<u>Source/Purposes</u>	<u>1987 Actual</u>	<u>1988 Estimate</u>	<u>1989 Planned</u>	<u>1990 Proposed</u>
<b>II. P.L. 480</b>				
A. Public Dev. Activities	-	-	8.5	9.0
1. World Bank and Other Donors				
2. Infrastructure Rehabilitation				
B. Private Sector Programs	-	-	4.5	5.0
1. Agribusiness				
2. Small Farmer Credit				
C. Public Sector Recurrent Budget	-	5.3	5.5	5.6
1. Agricultural Sector				
2. DPCCN				
D. Trust Funds (if any) for PL 480 Monitoring and Implementation	-	-	-	-
<hr/>				
SUBTOTAL OF PL 480 EXPENDITURES	-	5.3	18.5	19.6
(UNEXPENDED PL 480 LC BALANCE) AT END OF EACH YEAR; I.E. PIPELINE)	4.2	5.2	6.7	7.1
<hr/>				
GRAND TOTAL ALL LC EXPENDITURES	0.1	14.2	27.4	34.7
(GRAND TOTAL ALL UNEXPENDED LC BALANCES ( I.E. THE PIPELINE)	6.8	10.0	10.2	10.6

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Table VII: List of Planned Evaluations

Project List (Project No. & Title)	Last Eval. Completed (mo/yr)	FY 1989		FY 1990		Reasons/Issues	Funding Source	USAID Person Days	Collateral Assistance
		Start (Qtr)	To (Qtr)	Start (Qtr)	To (Qtr)				
Private Sector Rehabilitation V (656-0201D): CIP	—	1	1	1	1	TID: 6/90 The program is the fifth and final phase of PSR program. The evaluation will assess impact of the overall PSR CIPs.	PD&S	15	IQC: 15 days, USAID/Swaziland 30 days, and AID/W 15 days
Child Survival Pilot (656-0207)	—	2	2	2	2	PACD: 9/90 The evaluation will assess impact of project in pilot areas, determine whether it should be expanded province wide and with what modifications.	PD&S	10	IQC: 10 days USAID/Swaziland 10 days, and AID/W 10 days.
World Vision Operat. Grant and AGPANS	—	1	1	1	1	PACD: 2/89 To assess development of operational procedures for distribution of Title II relief commodities, including interface with CARE and DFOON.	PD&S	10	REDSO/ESA 10 days; AID/W 10 days.

Evaluation Officer: James H. Purcell  
Program Officer (5%)

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NEW PROJECT NARRATIVE

Project Title: Private Sector Support  
Project Number: 656-0207  
Project Funding: FY 1989 - \$ 14,000,000 (DFA Grant)  
FY 1990 - \$ 14,000,000 (DFA Grant)  
FY 1991 - \$ 14,000,000 (DFA Grant)  
FY 1992 - \$ 14,000,000 (DFA Grant)  
LOP \$ 56,000,000 (DFA Grant)

Development Problem Addressed: Since January 1987, Mozambique has been implementing a policy reform program developed in consultation with the IMF and the IBRD. These reforms impact on all sectors of the economy and specifically support the development of the private sector. AID Mozambique supports the GPRM's economic rehabilitation program, particularly its private sector initiatives and Mozambique's further movement toward a market economy.

The Private Sector Rehabilitation (PSR) program has since FY 1984 encouraged increased production by the private agricultural sector through a commodity import program (CIP) providing foreign exchange for the purchase of inputs needed by private commercial and family farmers and private manufacturers. Evaluations have confirmed that the private sector has used effectively the inputs provided, dramatically increasing overall production and revitalizing the private 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 stimulate the development and growth of private agricultural production in selected food producing areas of Mozambique.

Project Description: The new Private Sector Support program will continue the importation of agricultural inputs, capital equipment, and implements to the private agricultural sector. The program will also provide raw materials to private factories for the manufacture of agriculture related tools, implements, and inputs. The objectives of the assistance to

the private sector - the keystone of the AID strategy in Mozambique - are twofold: to demonstrate and expand the productive capacities of private commercial enterprises (both farm and non-farm) and to increase the marketed agricultural output of the private sector in general.

The Private Sector Support program is fundamentally a continuation of the successful Private Sector Rehabilitation program, but with more of an emphasis on sectoral problems and on ensuring that the mix of commodities has the highest potential of value added in country, especially for earning foreign exchange.

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 December 1988 (following 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 AID Mozambique and that it be reviewed in AID/W in January 1989. The PAAD design will be undertaken in February 1989, utilizing the same staff as the PAIP. It is recommended that the PAAD be reviewed and authorized in the field. The PAAD authorization is planned for the third quarter of FY 1989.

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NEW PROJECT NARRATIVE

Project Title: Zambezia Child Survival  
Project Number: 656-0209  
Project Funding: FY 1990 - \$1,000 (DFA Grant)  
FY 1991 - \$1,000 (DFA Grant)  
FY 1992 - \$1,000 (DFA Grant)  
FY 1993 - \$1,000 (DFA Grant)  
LOP - \$4,000 (DFA Grant)

Development Problem Addressed: The health care system in Mozambique is currently in crisis. In spite of starting from a low pre-independence base, by the early 1980's it had achieved a relatively equitable coverage of about 50 percent of the population. In recent years, however, the health care system has been hard hit by the combined effects of widespread destructive bandit activity and economic retrenchment. There has been systematic destruction and looting of rural health facilities, huge dislocations of rural populations, a general worsening of health status, primarily through malnutrition (particularly among children) and severe cuts in health expenditures as a result of the general decline in GNP and government revenues.

Government and communities have been making heroic efforts, with the aid of donors, to maintain the health system. The supply of essential drugs for primary health care is being financed by donor assistance, and reportedly health staff and communities themselves are making every effort to maintain health services. Nevertheless, additional external funding is needed both for immediate and emergency activities and for the longer term development of the sector as the security situation permits.

Zambezia province has an estimated 505,233 children below 4 years of age and an infant mortality rate of 200 per 1,000, one of the highest in the world. In FY 1988 and FY 1989, AID Mozambique is implementing a pilot child survival project in Zambezia. Our limited assistance, emphasizing strengthened delivery of preventive health services, will attempt to improve the health status, especially for children, in the districts of Quelimane, Mocuba, Ile, Gurue and Molucue. Focusing on vitamin A supplementation, vaccinations, oral rehydration therapy,

and family planning, including preventing sexually transmitted diseases, our assistance complements curative care improvements now being made at those locations by a non-governmental organization.

Project Purpose: The purpose of the Zambezia Child Survival project is to strengthen the Government of Mozambique's capacity to provide improved preventive health services and primary health care (PHC) with a goal to reduce mother and child morbidity and mortality.

Project Description: The Zambezia Child Survival project will continue and expand province-wide the assistance to be provided under the current pilot project. The new project will focus on basic child survival interventions intended to ameliorate the health problems facing the 2,736,540 persons residing in Zambezia. It will supply essential commodities (vitamin A tablets, condoms and other supplies as required) through the existing Ministry of Health supply and distribution system. Training in health education and preventive care will be provided for nurses, midwives, medical agents and community health care workers in all 17 district level health centers and 141 health posts. Special attention will be given to vitamin A supplementation for nutritional blindness and diarrhea and respiratory infections.

Policy Factors: The proposed Zambezia Child Survival project is consistent with AID's overall policy objectives in emphasizing preventive care, especially diarrhea, nutrition, family planning and immunization. It also promotes the Africa Bureau child survival strategy in attempting to reduce the number of child deaths primarily due to diarrhea and preventable childhood diseases.

Design Schedule: The PID for the FY 1990 Zambezia Child Survival project will be completed by February 1990 following results of the evaluation of the Child Survival Pilot project carried out from FY 1988 - FY 1990. It is proposed that the PID team be composed of staff members from USAID/Swaziland, REDSO/ESA, and AID Mozambique. It is planned that the PID be reviewed in AID/W in March, 1990 and the PP design completed in May, 1990, utilizing the same staff which prepares the PID. It is recommended that the PP be reviewed and authorized in the field. Project authorization is planned for the third quarter of FY 1990.

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NEW PROJECT NARRATIVE

Project Title: Private Sector Development Fund  
Project Number: 656-0210  
Project Funding: FY 1990 - \$4,000,000 (DFA Grant)  
FY 1991 - \$4,000,000 (DFA Grant)  
FY 1992 - \$4,000,000 (DFA Grant)  
FY 1993 - \$4,000,000 (DFA Grant)  
LOP \$16,000,000 (DFA Grant)

Development Problem Addressed: At Independence in 1975 Mozambique's economy was beset by major problems due to the distorted structure of its economy, and the effects of the prolonged struggle for independence. In the immediate years after Independence, the Government was obliged to take over abandoned enterprises not only in the building and construction industries but in all other sectors to ensure their basic functioning.

Because of structural weaknesses in the economy, exogenous shocks and policy failures, there has been a severe contraction in the real economy. By 1985 output slumped from a post-independence peak in 1981 to something like three-fifths of per capita levels of 1981. With the economic situation deteriorating rapidly, the Government embarked on the 1984-1985 Economic Action Program (EAP) and subsequently the Economic Rehabilitation Program (ERP) for 1987-1989. The formulation of the ERP was assisted by the IMF and IBRD and other international lending agencies.

The policy changes to date under the ERP are indicative of Government's intention to introduce a more adequate system of financial management and macro-economic programming in the economy, combined with a willingness to increase the use of pricing as an allocation device. The program involves a wide ranging reform of the economic management system, including improvement in budgetary procedures, pricing policies, foreign exchange and external debt management (exchange rate policy) financial controls over and financial management of publicly owned enterprises, and the reorganization of the statistical and accounting system of Government. The positive impact of the program is already evident in some areas of the economy and GDP is estimated to have grown 4 percent in 1987. Signs of economic revival, including increased exports, output, and tax revenues, point to the importance of the recent changes in the policy framework; however recovery is still fragile.

Still, there remains a need to revitalize the country's productive capacity, which has been severely tested by the process of destabilization and shortages of foreign exchange. Numerous productive enterprises are constrained from exporting because of their inability to purchase essential imported inputs, such as raw materials, intermediate components, spare parts, and capital equipment. Many firms are unable to qualify for the proposed southern Africa regional Pre-Export Revolving Fund because they also lack capital equipment. Likewise, a major constraint facing rehabilitation of the building materials and construction industry is the shortage of foreign exchange for both spare parts and raw materials.

Government is prepared to develop a proper macro and micro-economic policy setting so that state owned enterprises become more efficient and ergo profitable to the extent that they would be attractive to the private sector as a sale or a joint venture partner. Through financial rehabilitation, changes in internal management procedures and external supervision, parastatal and intervened firms in the construction and building materials industry will be directed to operate on commercial/market lines and maximize profits. Once rehabilitated, these firms will in time be moved into or back to the private sector.

Project Purpose: The purpose of the Private Sector Development Fund is to improve the capacity of the private sector to contribute to economic growth by generating increased foreign exchange through expanded exports and by rehabilitating the construction and building materials industry in preparation for privatization. In relieving the drain on the treasury of parastatals or intervened companies, the private sector could also assist Government through increased taxation revenues, the consumer through better and cheaper goods, and the economy through the dynamism and expansion of the companies.

Project Description: The Private Sector Development Fund, to be administered through a commercial bank, will have two windows. For exporters participating in the southern Africa regional Pre-Export Revolving Fund, foreign exchange will be available to purchase capital equipment for export manufacturing.

For firms in the construction and building materials industry, etc., access to the Fund will require companies to submit detailed business plans and their latest audited accounts together with the counterpart local funds equal to the foreign exchange requested. The counterpart funds can then be used to develop small and medium scale enterprises in this sector, for example plumbers and electricians. Companies capable of earning foreign exchange would repay a portion of their foreign exchange earnings back to the Fund.

Policy Factors: The proposed Private Sector Development Fund project is consistent with AID's policy to encourage countries to open their economies to a greater reliance on competitive markets, trade and private enterprise. It is also consistent with AID's privatization policy regarding parastatals, as described in Policy Determination No. 14, which states that AID assistance to parastatals should be provided to improve parastatal performance as part of a program towards divestiture.

Design Schedule: The PID for the FY 1990 Private Sector Development Fund project will be completed by September, 1989. It is proposed that the PID team be composed of staff members from Coopers & Lybrand, AID/W, REDSO/ESA and AID Mozambique. It is planned that the PID be reviewed in AID/W in December, 1989 and the PP design completed in May, 1990, utilizing the same staff which prepares the PID. It is recommended that the PP be reviewed and authorized in the field. Project authorization is planned for the third quarter of FY 1990.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table I  
DFA and Food Aid Reporting Matrix  
(\$000)

1987

SECTOR/SUBSECTOR	TOTAL	POLICY REFORM	PROGRAMMING MODALITIES*			TRNG
			NPA	WID	PRIV SECT	
<u>DFA:</u>						
NATURAL RESOURCES MGT. BIODIVERSITY TROPICAL FORESTS						
FACILITIES OF AGRICULTURE AGRICULTURAL RESEARCH AGRICULTURAL MARKETING AGRICULTURE, N.E.S.	9,835		9,835		9,835	
POPULATION						
HEALTH AIDS CHILD SURVIVAL						
PRIMARY EDUCATION SECONDARY EDUCATION VOCATIONAL EDUCATION OTHER EDUC/HRD						
DEVELOPMENT MANAGEMENT						
FINANCIAL MARKETS						
INFRASTRUCTURE						
ENTERPRISE DEVELOPMENT						
OTHER	165					
TOTAL DFA	10,000		9,835		9,835	
FOOD AID:	28,629					
TOTAL DFA/FOOD AID RESOURCES	38,629		9,835		9,835	

\*Horizontally for each sector/sub-sector activity, the total of dollar amounts may exceed the total amount for the activity.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table I  
DFA and Food Aid Reporting Matrix  
(\$000)

1988

SECTOR/SUBSECTOR	TOTAL	POLICY REFORM	PROGRAMMING MODALITIES*			TRNG
			NPA	WID	PRIV SECT	
<u>DFA:</u>						
NATURAL RESOURCES MGT.						
BIODIVERSITY						
TROPICAL FORESTS						
FACULTIES OF AGRICULTURE						
AGRICULTURAL RESEARCH						
AGRICULTURAL MARKETING						
AGRICULTURE, N.E.S.	14,500		14,500		14,500	
POPULATION						
HEALTH						
AIDS						
CHILD SURVIVAL	250					250
PRIMARY EDUCATION						
SECONDARY EDUCATION						
VOCATIONAL EDUCATION						
OTHER EDUC/HRD	150					150
DEVELOPMENT MANAGEMENT						
FINANCIAL MARKETS						
INFRASTRUCTURE						
ENTERPRISE DEVELOPMENT						
OTHER (P.D. & S)	100					
TOTAL DFA	15,000		14,500		14,500	400
FOOD AID:	33,723	16,400				
TOTAL DFA/FOOD AID RESOURCES	48,723	16,400	14,500		14,500	400

\*Horizontally for each sector/sub-sector activity, the total of dollar amounts may exceed the total amount for the activity.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table I  
DFA and Food Aid Reporting Matrix  
(\$000)

1989

SECTOR/SUBSECTOR	TOTAL	POLICY REFORM	PROGRAMMING MODALITIES*			TRNG
			NPA	WID	PRIV SECT	
<u>DFA:</u>						
NATURAL RESOURCES MGT. BIODIVERSITY TROPICAL FORESTS						
FACILITIES OF AGRICULTURE AGRICULTURAL RESEARCH AGRICULTURAL MARKETING AGRICULTURE, N.E.S.	14,000		14,000		14,000	
POPULATION						
HEALTH AIDS CHILD SURVIVAL	250					250
PRIMARY EDUCATION SECONDARY EDUCATION VOCATIONAL EDUCATION OTHER EDUC/HRD	300					300
DEVELOPMENT MANAGEMENT						
FINANCIAL MARKETS						
INFRASTRUCTURE						
ENTERPRISE DEVELOPMENT						
OTHER (P.D. & S)	450					450
TOTAL DFA	15,000		14,000		14,000	1000
FOOD AID:	31,700	16,000				
TOTAL DFA/FOOD AID RESOURCES	46,700	16,000	14,000		14,000	1000

\*Horizontally for each sector/sub-sector activity, the total of dollar amounts may exceed the total amount for the activity.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table I  
DFA and Food Aid Reporting Matrix  
(\$000)

1990

SECTOR/SUBSECTOR	TOTAL	POLICY REFORM	PROGRAMMING MODALITIES*			TRNG
			NPA	WID	PRIV SECT	
<u>DFA:</u>						
NATURAL RESOURCES MGT.						
BIODIVERSITY						
TROPICAL FORESTS						
FACILITIES OF AGRICULTURE						
AGRICULTURAL RESEARCH						
AGRICULTURAL MARKETING						
AGRICULTURE, N.E.S.	14,000		14,000		14,000	
POPULATION						
HEALTH						
AIDS						
CHILD SURVIVAL	1,000					1,000
PRIMARY EDUCATION						
SECONDARY EDUCATION						
VOCATIONAL EDUCATION						
OTHER EDUC/HRD	500					500
DEVELOPMENT MANAGEMENT						
FINANCIAL MARKETS						
INFRASTRUCTURE						
ENTERPRISE DEVELOPMENT	4,000				4,000	
OTHER (P.D. & S)	500					
TOTAL DFA	20,000		14,000		18,000	1,500
FOOD AID:	34,900	17,700				
TOTAL DFA/FOOD AID RESOURCES	54,900	17,700	14,000		18,000	1,500

\*Horizontally for each sector/sub-sector activity, the total of dollar amounts may exceed the total amount for the activity.

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FY 1990 ANNUAL BUDGET SUBMISSION

Africa Bureau Table II  
Pipeline Analysis and Modifications to LOP and PACD

<u>PROJECT #</u> · <u>PROJECT TITLE</u>	<u>TOTAL COST</u> <u>AUTH/PLAN</u>	<u>OBLIGATED</u> <u>THRU 1987</u>	<u>FY 1987</u> <u>PIPELINE</u>	<u>FY 1988</u> <u>OBLIG/EXPEND</u>	<u>FY 1989</u> <u>OBLIG/EXPEND</u>	<u>FY 1990</u> <u>OBLIG/EXPEND</u>	<u>CURRENT</u> <u>PACD</u>	<u>PROPOSED</u> <u>PACD</u>
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The pipeline for AID Mozambique consists of program funding for which all all accounting is performed by AID/W. Neither the mission nor the Regional Controller in Swaziland maintain independent accounting records of these programs.

No modifications to LOP or PACDs are proposed.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table III  
PVO Activity  
(\$000)

Proj/ Grant #	Project Title	PVO Name (U.S./Non-U.S.)	Source of Funding	LOP (FY Yrs)	Total PVO LOP - %	FY 1988 Obligations	FY 1989 Obligations	FY 1990 Obligations
-	Relief Assistance	Adventist Development and Relief Agency, Intl (U.S.)	IDA	88-89	1,334 - 100%	1,334	-	-
PDC-0000- G-SS-8057-00	Clothing Distribution	Adventist Development and Relief Agency, Intl (U.S.)	IDA	88	47 - 100%	47	-	-
-	Agr. Inputs and Wells	AFRICARE (U.S.)	IDA	88	221 - 100%	221	-	-
-	Air Transport	Air Serv (U.S.)	IDA	88	320 - 100%	320	-	-
-	DPOCN Log. Support	CARE (U.S.)	IDA	88-89	2,000 - 100%	2,000	-	-
PDC-0000- G-IN-8001-00	Relief Program	International Committee of Red Cross (Non-U.S.)	IDA	88	1,200 - 100%	1,200	-	-
-	Integrated Relief	Save the Children (U.S.)	IDA	88-89	391 - 100%	391	-	-
-	Food Distribution Operational Costs	World Vision (U.S.)	IDA	88-89	395 - 100%	395	-	-
-	Primary Health Care	World Vision (U.S.)	FFP	88-89	196 - 100%	196	-	-
-	Agpak Program	World Vision (U.S.)	IDA	88-89	325 - 100%	325	-	-
-	Clothing Distribution	World Vision (U.S.)	IDA	88-89	812 - 100%	812	-	-
-	Management Trng.	World Vision (U.S.)	IDA	88	5 - 100%	5	-	-
-	Technical Assistance	Nat'l Council Negro Women (U.S.)	DFA	88-89	200 - 100%	200	-	-
-	Technical Assistance	VITA (U.S.)	DFA	88-90	300 - 100%	100	100	100

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table IV  
Regionally and Centrally Funded Buy-Ins  
(\$000)

<u>Project Number</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Planned</u>	<u>FY 1990</u> <u>Proposed</u>
NRMS/698-0467			
AFGRAD III/698-0455			
ASCI-CCCD/698-0421			
Medex/698-0471			
SAARFA/698-0435			
AALC II/698-0442			
AFR-AHRF/698-9801			
AFR-SSH/698-9901			
Locusts/698-0517/625-0517			
NCNW-ID/698-0461			
Sahel Financial Mgt./625-0974			
Family Health Int. 11/698-0462			
HumResDevelAssist/698-0463	150	300	500
FEWS/698-0466			
AfrDevSupport/698-0464			
HIV/AIDS Prev/698-0474			
Others			
<b>Total</b>	<u>150</u>	<u>300</u>	<u>500</u>

FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table V  
Regionally and Centrally Funded Activities  
(\$000)

Project/ Grant No.	Project Title	Organization Implementing (US/Non U.S.)	LOP (yrs)	LOP	FY-88 Obligs	FY-89 Obligs	FY-90 Obligs
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I. Directly Related to Mission Portfolio:

698-0463	African Manpower Development	GPRM (non U.S.)	87-90	1500	-	-	-
698-0455	AFGRAD II	AAI (U.S.)	85-92	990	198	198	-

Note: In addition, all of the grants to PVOs listed on Africa Bureau Table III are centrally funded, largely under the International Disaster Assistance rubric. Given current conditions in Mozambique, we anticipate continuation of many of these programs in the future.

II. Indirectly Related To Mission Portfolio:

690-0231	Regional Transport Dev.	GPRM (non U.S.)	85-88	15,540	-	-	-
690-0243	Pre-Export Revolving Fund	GPRM (non U.S.)	89-	60,000	20,000	20,000	20,000
690-0247	Regional Rail Systems Support	GPRM (non U.S.)	88-92	40,500	28,000	-	-

III. Not Related to Mission Portfolio

None

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table VI.a.

Methods of Accountability for Local Currency Expenditures  
FY 1988  
(\$000)

<u>Source/Type of Expenditure</u>	<u>Amount</u>	<u>Method of Accountability</u>	<u>USAID or Govt Action</u>
<b>I. ESP</b>			
A. Public Sector Recurrent	8.7	Quarterly Reports Monthly Reports	Ministry of Finance Bank of Mozambique People's Dev. Bank
B. A.I.D. Trust Fund	.2	RFMC Paris Statements	USAID
<b>II. DFA</b>			
A. -	-	-	-
B. -	-	-	-
<b>III. PL 480</b>			
A. Public Sector Recurrent	5.3	Quarterly Reports Monthly Statements	Ministry of Finance Bank of Mozambique People's Dev. Bank
<b>Total</b>	<b>14.2</b>		

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Local Currency Programming and Accountability Plan

Background

Beginning in 1984 and 1985 the GPRM slowly began introducing selected policy measures as means of testing the ideas and effects of economic reform. The measures adopted then were tentative moves in the direction of economic reform, but failed to address the key policies which were contributing to the inefficiencies and decline of the country's economy. In 1987, the GPRM announced its Economic Rehabilitation Program (ERP) to address the macroeconomic and sectoral policies which have constrained the performance of the economy. The ERP is strongly supported by both the IBRD and IMF.

The principal policy objectives of the ERP are to establish an economic policy environment conducive to future economic growth, and to stabilize the country's internal and external financial situation by reducing the influence of centralized administrative controls in the economy and allowing market forces to play a greater role in determining the allocation of resources, income and performance of economic units and individuals. The policy measures of the ERP are wide ranging and include, among others, the following:

- 1) Exchange rate adjustment to a market clearing level by the end of 1989. To date, devaluations have moved the exchange rate from Mt 38.50/US\$ to Mt 450/US\$;
- 2) Progressive reduction of the role of administrative allocations in both the foreign exchange and trade areas with implementation beginning during 1988;
- 3) Phased modification of pricing policies to allow prices to more accurately reflect market forces by reducing the number of products under direct price controls, and adjusting prices to reduce, and eventually eliminate, price subsidies;
- 4) Increasing competition in domestic trade by allowing greater private sector competition with parastatal enterprises and trading companies at all stages; and
- 5) Adherence to strict fiscal and monetary policies, under the auspices of the IMF and IBRD, to stabilize the domestic financial situation and promote efficiency in the government and parastatal sectors.

### Fiscal and Monetary Situation

Mozambique's fiscal and monetary situation from 1980 through 1986 can be divided into two distinct periods. From 1980 through 1983, the GPRM's domestic financial policies were increasingly expansionary. The overall budget deficit (including grants) in 1980 was 9% of Global Social Product (GSP, corresponding to Gross Domestic Product excluding the activities of the financial sector); by 1983 the deficit had increased in absolute terms by 99% to 14.6% of GSP. While budgetary revenues increased by 50% over this period, total expenditures increased by 64%, leading to the rapid increase in the overall deficit. These large budgetary deficits, averaging 21% of the broad money supply over these four years, were a major force behind the 24% annual average rate of growth of the broad money supply for the period.

In contrast, both budgetary revenues and expenditures, as well as the deficit, contracted in absolute terms and relative to GSP beginning in 1984. Compared to 1983, budgetary expenditures declined by 5.5% in 1984 while the absolute size of the deficit fell by 17%. By 1986, the overall deficit had declined to 7.6% of GSP compared to 14.6% in 1983. In conjunction with this decline in the budgetary deficit which averaged 11% of the broad money supply from 1984 through 1986, the rate of growth of the broad money supply also declined to a rate of 14.4% per annum. For 1987, a major expansion in the absolute size of budgetary expenditure and overall deficit occurred due to adjustments following from the devaluations of the metical and other pricing policies, as well as a major increase in investment expenditures. To prevent the increased budget deficit from leading to a major increase in the money supply, the IMF SAF Program placed tight ceilings on the provision of domestic credit to the government. It is estimated that under the SAF Program, the money supply was reduced to 43%-44% of GSP, compared to 76% in 1985 and 70% in 1986.

In early 1987 the GPRM substantially revised the structure of interest rates. Interest rates charged for credit were raised from their previous average of 5% per annum to 15%-16% per annum, while rates paid on time deposits increased from an average 10% annual rate to 20%-26% per annum. While representing a doubling or tripling of interest rates, these changes have not been sufficient to generate positive real interest rates, especially for the extension of credit. In addition, the banking system is still required to loan money at interest rates below what they pay on deposits.

Under the supervision of the IMF, the GPRM is following strict fiscal and monetary policies in order to stabilize the domestic financial situation and promote efficiency in the government and parastatal sectors. To date the GPRM has fully complied with these limits. This exemplary compliance is expected to continue.

#### Local Currency Issues and Programming

There are a series of critical issues surrounding the management of local currency in AID Mozambique due to the unique history of the program, Mozambique's economic conditions, and personnel constraints within both the GPRM and AID Mozambique.

Due to the extreme overvaluation of the metical in the past, the possibilities of using counterpart funds were extremely limited. As a result, little of the counterpart funds generated under earlier programs have been programmed. Due to the large proportion of the program which has been associated with reacting to extreme emergency conditions and a very small staff relative to the size of the program, inadequate attention was paid to local currency issues and problems. This problem is now being addressed. Recent work by a retired AID Controller hired by AID Mozambique has shown that significant amounts of counterpart funds from past programs have not been deposited. The mission is now examining the best mechanisms for establishing a counterpart funds management system. Based upon further professional assessment of the situation, the mission will either contract with an international accounting firm for the management of these funds, or at a minimum, establish a counterpart funds unit within the mission. Either of these approaches will place the responsibility for the management of these funds, both generation and utilization, under a single individual or organization.

The programming and utilization of local currency generations will be influenced and constrained by two major factors: the current and expected IMF programs and their budgetary and monetary targets; and the requirements for the accountability of local currency funds.

Given the fact that the GPRM is now implementing a major economic reform program with the support and assistance of both the IMF and IBRD (briefly described above), it is imperative that our use of counterpart funds be supportive, rather than destructive, of this program. The key factors under the IMF SAF which will influence the use of counterpart funds are the limits on the expansion of net domestic credit to the government. Since our counterpart funds are owned by the GPRM, any expenditure of these funds will impact on this key monetary target. Thus, close coordination between the AID Mozambique

and the Ministry of Finance will be required for the programming and use of these funds. This need for coordination becomes even more important and apparent due to the fact that counterpart funds already deposited and due correspond to more than 14% of GPRM budgetary revenues and more than 10% of current budgetary expenditures in 1988.

The principal implication of this constraint is that the programming of the bulk of the counterpart funds will best be accomplished through the GPRM budget as a mechanism for financing the budgetary deficit. Since the financing of this deficit is already accounted for in the monetary program, following this path will ensure that the use of our counterpart funds support the GPRM's stabilization effort. Support for the GPRM budget will take the form of both attribution to broad areas of the budget consistent with our program objectives and agreements, and local currency support for other donors' projects in the budget. Initial discussions with the Ministry of Finance have resulted in a tentative agreement that AID Mozambique's counterpart funds will be used to fund major portions of the agriculture, health and education sector current budgets in 1988 and 1989, the emergency logistical operations of DPCCN, and possibly selected items in the capital budget. Beginning in 1990, the emphasis on the use of counterpart funds in the GPRM budget will shift to the capital budget, except for the possible financing of emergency operations.

In addition to providing funding for the GPRM's budget, AID Mozambique and the Ministry of Finance have also agreed that an initial Mt 500 million will be used to provide local currency support for emergency, rehabilitation and developmental activities of U.S. and other PVOs and NGOs.

The issue of accountability for both the generation and use of counterpart funds is a major concern within Mission management. While the GPRM budgetary system is lacking in many respects, both the IMF and IBRD are working to improve and strengthen it. In addition, AID Mozambique is currently examining potential mechanisms for providing possible additional support to strengthen the GPRM's budgetary process and controls.

As mentioned above, AID Mozambique is currently examining mechanisms for improving its internal controls and tracking systems for counterpart funds. Given the fact that we intend to direct the bulk of the counterpart funds through the GPRM budget, OAR/Mozambique will ensure that certain conditions and

requirements relating to management and monitoring of programmed funds are met. These include the basis for certifying that:

- a) the programming and budgeting system in the Ministry of Finance gives AID reasonable assurance that mutually agreed-upon objectives and uses of funds will be achieved; and
- b) the line ministries that may receive support also have programming and budgeting systems which can provide similar assurances.

These reviews will be accomplished by performing assessments of the financial management/accounting and administrative procedures for the relevant ministries. AID Mozambique will contract for accounting specialists or firms to perform these assessments, make recommendations, and offer short-term technical assistance to the ministries to implement improved procedures if necessary.

Adequate reporting procedures for both funds attributed to broad budget categories and individual projects will be developed to provide the basis for AID Mozambique to monitor compliance with the specific counterpart fund programming agreements. Similarly, necessary reviews and reporting procedures will be developed for the PVO/NGO recipients of money from the Program Trust Fund.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Africa Bureau Table VII  
Program Development and Support  
(\$000)

FY 1989

APPROPRIATION	OBL LOC	CTY USE	PROJECT	PDS REQUEST	PLAN MO OF OBLIG.
DF-OTHER	F	1	N/A	150	3
Social and Institutional Profile (SIP) of Mozambique.					
DF-AGRIC.MKTG.	F	1	Section 206	45	2
Technical assistance for preparation of a study of the Basic Food Pricing and Allocation system of Mozambique.					
DF-ENTEPR. DEV.	F	1	Section 206	45	2
Technical assistance for a study of the Role of the Private Sector in the Transport of Agricultural Commodities.					
DF-OTHER	F	1	Section 206	45	4
Technical assistance for a Study of the Social Impact of the Economic Rehabilitation program.					
DF-AGR/HEALTH/ OTHER EDUC.	F	1	N/A	30	2
Technical assistance contracts for sector surveys in agriculture, health, and human resources.					
DF-DEV. MGT.	F	3	Counterpart	135	1
Personal services contract(s) to monitor and manage local currency generations and expenditures.					

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Budget Plan Code: COEA-87-21656-U000

CES7-87-21656-U000

Detailed Operation Expenses

TABLE VIII - FY87 ACTUAL

(\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>U.S. Direct Hire</u>	U100	125.9	0.0	125.9	0.0	
Other Mission Funded Code 11	U105	6.4		6.4		
* Education Allowances	U106	7.2		7.2		1.0
Cost of Living Allowances	U108	1.2		1.2		
Other Mission Funded Code 12	U110	7.7		7.7		
* Post Assignment Travel	U111	22.3		22.3		5.0
* Post Assignment Freight	U112	57.7		57.7		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	4.8		4.8		2.0
* R&R Travel	U116	0.0		0.0		
* Other Code 215 Travel	U117	1.2		1.2		4.0
<u>Foreign National Direct Hire</u>	U200	0.0	0.0	0.0	0.0	
* F.N. Basic Pay	U201					
* Overtime/Holiday Pay	U202					
All Other Code 11 - F.N.	U203					
All Other Code 12 - F.N.	U204					
Benefits - Former F.N. Pers.	U205					
<u>Contract Personnel</u>	U300	109.1	14.0	123.1	14.0	
* PASA Technicians	U301	0.0	0.0	0.0	0.0	
* U.S. PSC Salaries/Benefits	U302	4.4	0.0	4.4	0.0	0.1
All Other U.S. PSC Costs	U303	0.0	0.0	0.0	0.0	
* F.N. PSC Salaries/Benefits	U304	104.7	14.0	118.7	14.0	17.8
All Other F.N. PSC Costs	U305	0.0	0.0	0.0	0.0	
* Manpower Contracts	U306	0.0	0.0	0.0	0.0	
<u>Housing</u>	U400	61.9	14.5	76.4	21.8	
* Residential Rent	U401	29.0	0.0	29.0	0.0	2.0
Residential Utilities	U402	0.0	2.0	2.0	2.0	
Maintenance & Renovation	U403	10.4	6.9	17.3	6.9	
* Quarters Allowances	U404	0.0	0.0	0.0	0.0	
Residential Furniture/Equip	U405	7.3	0.0	7.3	7.3	
Trans/Freight - Code 311	U406	0.0	0.0	0.0	0.0	
* Security Guard Services	U407	14.5	5.6	20.1	5.6	6.3
Official Residence Allowance	U408	0.0	0.0	0.0	0.0	
Representation Allowance	U409	0.7	0.0	0.7	0.0	

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 Budget Plan Code: COEA-87-21656-U000  
 CES7-87-21656-U000

Detailed Operating Expenses  
 TABLE VIII - FY87 ACTUAL  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>Office Operations</u>	U500	203.1	32.7	235.8	96.4	
Office Rent	U501	2.2	0.0	2.2	0.0	
Office Utilities	U502	0.0	0.5	0.5	0.5	
Building Maint/Renovation	U503	16.1	10.9	27.0	10.9	
Office Furniture/Equipment	U504	29.8	0.0	29.8	29.8	
Vehicles	U505	0.0	0.0	0.0	0.0	
Other Equipment	U506	24.7	0.0	24.7	0.0	
Transportation/Freight	U507	7.1	0.0	7.1	0.0	
Furn/Equip/Veh Repair/Maint	U508	11.8	0.6	12.4	12.4	
Communications	U509	0.3	11.9	12.2	12.2	
* Security Guard Services	U510	4.9	2.0	6.9	2.0	18.9
Printing	U511	0.0	0.0	0.0	0.0	
* Site Visits - Mission	U513	20.0	0.1	20.1	0.1	42.0
* Site Visits - AID/W	U514	10.3	0.0	10.3	0.0	2.0
* Information Meetings	U515	0.0	0.0	0.0	0.0	
* Training Attendance	U516	0.9	0.0	0.9	0.0	1.0
* Conference Attendance	U517	8.5	0.0	8.5	0.0	3.0
* Other Operational Travel	U518	12.4	0.0	12.4	0.0	12.0
Supplies & Materials	U519	38.7	1.0	39.7	22.8	
* Contract Consulting Services	U521	0.0	0.0	0.0	0.0	
* Contract Mgt/Prof. Services	U522	0.0	0.0	0.0	0.0	
* Special Studies/Analyses	U523	0.0	0.0	0.0	0.0	
* All Other Code 25	U524	15.4	5.7	21.1	5.7	1.0
TOTAL OPERATING EXPENSE BUDGET		500.0	61.2	561.2	132.2	
636(c) Requirements		0.0	0.0	0.0	0.0	
TOTAL ALLOWANCE REQUIREMENTS		500.0	61.2	561.2	132.2	

OTHER INFORMATION

Exchange Rate Used in Calculations: R2.00 = \$1.00, MT400 = \$1.00

U.S. Direct Hire Workforce Levels: Positions 5.0  
 Workyears 4.4

\* Unit Data Provided

656 - MOZAMBIQUE  
 Budget Plan Code: COEA-88-21656-U000

Detailed Operating Expenses  
 TABLE VIII - FY88 ESTIMATE  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>U.S. Direct Hire</u>	U100	78.0	0.0	78.0	0.0	
Other Mission Funded Code 11	U105	0.0		0.0		
* Education Allowances	U106	0.0		0.0		
Cost of Living Allowances	U108	24.3		24.3		
Other Mission Funded Code 12	U110	5.1		5.1		
* Post Assignment Travel	U111	5.0		5.0		2.0
* Post Assignment Freight	U112	15.0		15.0		2.0
* Home Leave Travel	U113	5.6		5.6		1.0
* Home Leave Freight	U114	1.5		1.5		1.0
* Education Travel	U115	9.0		9.0		3.0
* R&R Travel	U116	6.0		6.0		2.0
* Other Code 215 Travel	U117	6.5		6.5		3.0
<u>Foreign National Direct Hire</u>	U200	0.0	0.0	0.0	0.0	
* F.N. Basic Pay	U201					
* Overtime/Holiday Pay	U202					
All Other Code 11 - F.N.	U203					
All Other Code 12 - F.N.	U204					
Benefits - Former F.N. Pers.	U205					
<u>Contract Personnel</u>	U300	218.7	12.4	231.1	12.4	
* PASA Technicians	U301	0.0	0.0	0.0	0.0	
* U.S. PSC Salaries/Benefits	U302	76.9	0.0	76.9	0.0	.8
All Other U.S. PSC Costs	U303	0.0	0.0	0.0	0.0	
* F.N. PSC Salaries/Benefits	U304	141.8	12.4	154.2	2.4	20.5
All Other F.N. PSC Costs	U305	0.0	0.0	0.0	0.0	
* Manpower Contracts	U306	0.0	0.0	0.0	0.0	
<u>Housing</u>	U400	161.1	98.7	259.8	172.3	
* Residential Rent	U401	36.2	78.6	114.8	78.6	5.0
Residential Utilities	U402	0.0	3.2	3.2	3.2	
Maintenance & Renovation	U403	29.6	8.6	38.2	38.2	
* Quarters Allowances	U404	0.0	0.0	0.0	0.0	
Residential Furniture/Equip	U405	71.0	0.0	71.0	40.0	
Trans/Freight - Code 311	U406	8.3	0.0	8.3	4.0	
* Security Guard Services	U407	15.0	8.3	23.3	8.3	46.3
Official Residence Allowance	U408	0.0	0.0	0.0	0.0	
Representation Allowance	U409	1.0	0.0	1.0	0.0	

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 Budget Plan Code: COEA-88-21656-U000

Detailed Operating Expenses  
 TABLE VIII - FY88 ESTIMATE  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>Office Operations</u>	U500	272.2	78.2	350.4	146.8	
Office Rent	U501	0.0	0.0	0.0	0.0	
Office Utilities	U502	0.0	8.0	8.0	8.0	
Building Maint/Renovation	U503	6.0	17.8	23.8	20.8	
Office Furniture/Equipment	U504	39.2	0.0	39.2	20.0	
Vehicles	U505	13.0	0.0	13.0	13.0	
Other Equipment	U506	20.5	0.0	20.5	0.0	
Transportation/Freight	U507	5.7	0.0	5.7	2.0	
Furn/Equip/Veh Repair/Maint	U508	22.0	3.0	25.0	18.0	
Communications	U509	7.1	39.2	46.3	39.2	
* Security Guard Services	U510	8.3	4.5	12.8	4.5	18.9
Printing	U511	0.0	0.0	0.0	0.0	
* Site Visits - Mission	U513	3.4	0.5	3.9	0.5	14.0
* Site Visits - AID/W	U514	64.2	0.0	64.2	0.0	13.0
* Information Meetings	U515	0.5	0.0	0.5	0.0	1.0
* Training Attendance	U516	0.6	0.0	0.6	0.0	1.0
* Conference Attendance	U517	17.5	0.0	17.5	0.0	6.0
* Other Operational Travel	U518	9.6	0.0	9.6	0.0	8.0
Supplies & Materials	U519	29.0	1.0	30.0	16.6	
* Contract Consulting Services	U521	2.6	0.0	2.6	0.0	.3
* Contract Mgt/Prof. Services	U522	0.0	0.0	0.0	0.0	
* Special Studies/Analyses	U523	0.0	0.0	0.0	0.0	
* All Other Code 25	U524	23.0	4.2	27.2	4.2	3.0
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>730.0</b>	<b>189.3</b>	<b>919.3</b>	<b>331.5</b>	
636(c) Requirements		0.0	0.0	0.0	0.0	
<b>TOTAL ALLOWANCE REQUIREMENTS</b>		<b>730.0</b>	<b>189.3</b>	<b>919.3</b>	<b>331.5</b>	

OTHER INFORMATION

Exchange Rate Used in Calculations: R2.00 = \$1.00, MT450 = \$1.00  
 Estimated Inflation Rate: Local Procurement - 10% to 20%  
 U.S. Based Procurement - 4% to 8%

U.S. Direct Hire Workforce Levels: Positions 10.0  
 Workyears 4.4

\* Unit Data Provided

656 - MOZAMBIQUE

Budget Plan Code: COEA-89-21656-U000

Detailed Operating Expenses  
TABLE VIII - FY89 ESTIMATE  
(\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>U.S. Direct Hire</u>	U100	338.9	0.0	338.9	0.0	
Other Mission Funded Code 11	U105	0.0		0.0		
* Education Allowances	U106	47.0		47.0		2.0
Cost of Living Allowances	U108	40.6		40.6		
Other Mission Funded Code 12	U110	52.3		52.3		
* Post Assignment Travel	U111	54.6		54.6		7.0
* Post Assignment Freight	U112	100.0		100.0		7.0
* Home Leave Travel	U113	6.6		6.6		2.0
* Home Leave Freight	U114	4.0		4.0		2.0
* Education Travel	U115	9.9		9.9		3.0
* R&R Travel	U116	13.2		13.2		4.0
* Other Code 215 Travel	U117	10.7		10.7		6.0
<u>Foreign National Direct Hire</u>	U200	15.0	0.5	15.5	0.5	
* F.N. Basic Pay	U201	14.8	0.5	15.3	0.5	1.0
* Overtime/Holiday Pay	U202	0.0	0.0	0.0	0.0	
All Other Code 11 - F.N.	U203	0.0	0.0	0.0	0.0	
All Other Code 12 - F.N.	U204	0.2	0.0	0.2	0.0	
Benefits - Former F.N. Pers.	U205	0.0	0.0	0.0	0.0	
<u>Contract Personnel</u>	U300	260.9	16.2	277.1	16.2	
* PASA Technicians	U301	0.0	0.0	0.0	0.0	
* U.S. PSC Salaries/Benefits	U302	75.0	0.0	75.0	0.0	2.1
All Other U.S. PSC Costs	U303	0.0	0.0	0.0	0.0	
* F.N. PSC Salaries/Benefits	U304	185.9	16.2	202.1	16.2	21.5
All Other F.N. PSC Costs	U305	0.0	0.0	0.0	0.0	
* Manpower Contracts	U306	0.0	0.0	0.0	0.0	
<u>Housing</u>	U400	121.3	92.2	213.5	112.2	
* Residential Rent	U401	82.5	68.3	150.8	68.3	8.0
Residential Utilities	U402	0.0	8.1	8.1	8.1	
Maintenance & Renovation	U403	20.0	6.0	26.0	26.0	
* Quarters Allowances	U404	0.0	0.0	0.0	0.0	
Residential Furniture/Equip	U405	0.0	0.0	0.0	0.0	
Trans/Freight - Code 311	U406	0.0	0.0	0.0	0.0	
* Security Guard Services	U407	17.8	9.8	27.6	9.8	56.8
Official Residence Allowance	U408	0.0	0.0	0.0	0.0	
Representation Allowance	U409	1.0	0.0	1.0	0.0	

656 - MOZAMBIQUE  
 Budget Plan Code: COEA-89-21656-U000

Detailed Operating Expenses  
TABLE VIII - FY89 ESTIMATE  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>Office Operations</u>	U500	188.9	124.7	313.6	166.0	
Office Rent	U501	0.0	0.0	0.0	0.0	
Office Utilities	U502	0.0	17.5	17.5	17.5	
Building Maint/Renovation	U503	6.0	18.0	24.0	24.0	
Office Furniture/Equipment	U504	0.0	0.0	0.0	0.0	
Vehicles	U505	0.0	0.0	0.0	0.0	
Other Equipment	U506	2.5	0.0	2.5	0.0	
Transportation/Freight	U507	0.0	0.0	0.0	0.0	
Furn/Equip/Veh Repair/Maint	U508	22.1	4.0	26.1	21.0	
Communications	U509	8.9	76.3	85.2	76.3	
* Security Guard Services	U510	5.3	2.9	8.2	2.9	16.8
Printing	U511	0.0	0.0	0.0	0.0	
* Site Visits - Mission	U513	7.5	1.0	8.5	1.0	28.0
* Site Visits - AID/W	U514	21.7	0.0	21.7	0.0	15.0
* Information Meetings	U515	1.1	0.0	1.1	0.0	2.0
* Training Attendance	U516	7.0	0.0	7.0	0.0	4.0
* Conference Attendance	U517	17.0	0.0	17.0	0.0	13.0
* Other Operational Travel	U518	11.0	0.0	11.0	0.0	15.0
Supplies & Materials	U519	34.0	1.0	35.0	19.3	
* Contract Consulting Services	U521	2.0	0.0	2.0	0.0	.2
* Contract Mgt/Prof. Services	U522	0.0	0.0	0.0	0.0	
* Special Studies/Analyses	U523	0.0	0.0	0.0	0.0	
* All Other Code 25	U524	42.8	4.0	46.8	4.0	2.9
<b>TOTAL OPERATING EXPENSE BUDGET</b>		925.0	233.6	1158.6	294.9	
636(c) Requirements		0.0	0.0	0.0	0.0	
<b>TOTAL ALLOWANCE REQUIREMENTS</b>		925.0	233.6	1158.6	294.9	

OTHER INFORMATION

Exchange Rate Used in Calculations: R2.00 = \$1.00, MT600 = \$1.00  
 Estimated Inflation Rate: Local Procurement - 10% to 20%  
 U.S. Based Procurement - 4% to 8%

U.S. Direct Hire Workforce Levels: Positions 10.0  
 Workyears 8.7

\* Unit Data Provided

656 - MOZAMBIQUE

Budget Plan Code: COEA-90-21656-U000

Detailed Operating Expenses  
 TABLE VIII - FY90 REQUEST  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>U.S. Direct Hire</u>	<u>U100</u>	<u>288.1</u>	<u>0.0</u>	<u>288.1</u>	<u>0.0</u>	
Other Mission Funded Code 11	U105	0.0		0.0		
* Education Allowances	U106	70.5		70.5		3.0
Cost of Living Allowances	U108	40.6		40.6		
Other Mission Funded Code 12	U110	13.9		13.9		
* Post Assignment Travel	U111	24.2		24.2		4.0
* Post Assignment Freight	U112	72.6		72.6		4.0
* Home Leave Travel	U113	0.0		0.0		
* Home Leave Freight	U114	0.0		0.0		
* Education Travel	U115	7.3		7.3		2.0
* R&R Travel	U116	47.2		47.2		13.0
* Other Code 215 Travel	U117	11.8		11.8		6.0
<u>Foreign National Direct Hire</u>	<u>U200</u>	<u>18.0</u>	<u>0.6</u>	<u>18.6</u>	<u>0.6</u>	
* F.N. Basic Pay	U201	17.7	0.6	18.3	0.6	1.0
* Overtime/Holiday Pay	U202	0.0	0.0	0.0	0.0	
All Other Code 11 - F.N.	U203	0.0	0.0	0.0	0.0	
All Other Code 12 - F.N.	U204	0.3	0.0	0.3	0.0	
Benefits - Former F.N. Pers.	U205	0.0	0.0	0.0	0.0	
<u>Contract Personnel</u>	<u>U300</u>	<u>317.1</u>	<u>19.3</u>	<u>336.4</u>	<u>19.3</u>	
* PASA Technicians	U301	0.0	0.0	0.0	0.0	
* U.S. PSC Salaries/Benefits	U302	58.5	0.0	58.5	0.0	1.5
All Other U.S. PSC Costs	U303	0.0	0.0	0.0	0.0	
* F.N. PSC Salaries/Benefits	U304	258.6	19.3	277.9	19.3	23.0
All Other F.N. PSC Costs	U305	0.0	0.0	0.0	0.0	
* Manpower Contracts	U306	0.0	0.0	0.0	0.0	
<u>Housing</u>	<u>U400</u>	<u>146.8</u>	<u>103.4</u>	<u>250.2</u>	<u>134.7</u>	
* Residential Rent	U401	95.0	78.6	173.6	78.6	8.0
Residential Utilities	U402	0.0	9.0	9.0	9.0	
Maintenance & Renovation	U403	15.0	5.0	20.0	20.0	
* Quarters Allowances	U404	0.0	0.0	0.0	0.0	
Residential Furniture/Equip	U405	13.7	0.0	13.7	13.7	
Trans/Freight - Code 311	U406	2.6	0.0	2.6	2.6	
* Security Guard Services	U407	19.5	10.8	30.3	10.8	56.8
Official Residence Allowance	U408	0.0	0.0	0.0	0.0	
Representation Allowance	U409	1.0	0.0	1.0	0.0	

656 - MOZAMBIQUE  
 Budget Plan Code: COEA-90-21656-U000

Detailed Operating Expenses  
TABLE VIII - FY90 REQUEST  
 (\$000)

Expense Category	Func. Code	Dollars	Trust Funds	Total	Local Currency Estimate	Units
<u>Office Operations</u>	<u>U500</u>	<u>173.5</u>	<u>136.1</u>	<u>309.6</u>	<u>178.7</u>	
Office Rent	U501	0.0	0.0	0.0	0.0	
Office Utilities	U502	0.0	19.3	19.3	19.3	
Building Maint/Renovatio	U503	5.0	17.5	22.5	22.5	
Office Furniture/Equipment	U504	1.4	0.0	1.4	1.4	
Vehicles	U505	0.0	0.0	0.0	0.0	
Other Equipment	U506	0.0	0.0	0.0	0.0	
Transportation/Freight	U507	0.0	0.0	0.0	0.0	
Furn/Equip/Veh Repair/Maint	U508	19.0	6.0	25.0	25.0	
Communications	U509	12.1	83.9	96.0	83.9	
* Security Guard Services	U510	5.8	3.2	9.0	3.2	16.8
Printing	U511	0.0	0.0	0.0	0.0	
* Site Visits - Mission	U513	8.8	1.2	10.0	1.2	30.0
* Site Visits - AID/W	U514	23.0	0.0	23.0	0.0	12.0
* Information Meetings	U515	1.2	0.0	1.2	0.0	2.0
* Training Attendance	U516	4.2	0.0	4.2	0.0	5.0
* Conference Attendance	U517	17.4	0.0	17.4	0.0	15.0
* Other Operational Travel	U518	12.1	0.0	12.1	0.0	17.0
Supplies & Materials	U519	32.0	1.0	33.0	18.2	
* Contract Consulting Services	U521	0.0	0.0	0.0	0.0	
* Contract Mgt/Prof. Services	U522	0.0	0.0	0.0	0.0	
* Special Studies/Analyses	U523	0.0	0.0	0.0	0.0	
* All Other Code 25	U524	<u>31.5</u>	<u>4.0</u>	<u>35.5</u>	<u>4.0</u>	2.5
TOTAL OPERATING EXPENSE BUDGET		943.5	259.4	1202.9	333.3	
636(c) Requirements		0.0	0.0	0.0	0.0	
TOTAL ALLOWANCE REQUIREMENTS		943.5	259.4	1202.9	333.3	

OTHER INFORMATION

Exchange Rate Used in Calculations:  
 Estimated Inflation Rate:

R2.00 = \$1.00, MT600 = \$1.00  
 Local Procurement - 10% to 20%  
 U.S. Based Procurement - 4% to 8%

U.S. Direct Hire Workforce Levels:

Positions 10.0  
 Workyears 10.0

\* Unit Data Provided

656 - Mozambique

FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (a) - Operating Expense Narrative

AID Mozambique's approved workforce level will increase from 5 to 10 positions beginning in FY89. Two post assignments are scheduled to occur during FY88 with the remainder of the new positions being filled in FY89. This doubling of the mission's size will provide the mission with a full staff, which in turn, will substantially increase all costs. For example, travel costs for post assignments, home leave, R&R, and educational travel will increase accordingly. Also, office space requirements, FSN support staff, ADP equipment, office furniture and supplies, as well as related housing costs will increase.

During FY88 AID Mozambique will purchase large amounts of residential and office furniture and equipment in anticipation of its increased staffing levels. The FY89 budget reflects the high cost of moving people, an increase in the number of contract personnel and an anticipated increase in FSN salary levels. For FY90 further increases in FSN salary levels, changes in the composition of OE funded contract personnel, R&R travel and housing cost increases are offset by reductions in the number of post assignments and miscellaneous contractual service costs resulting in an overall budget increase from FY89 to FY90 of 2%.

1. Reasons for Increase FY 1989 to FY 1990

In addition to budget pressures exerted by increased mission activity, this year's ABS reflects an expected inflation rate of 4%-8% for U.S. based procurement and 10%-20% for local procurement. AID Mozambique's local procurement comes from the Southern Africa region which has had an annual inflation rate of 10%-15% during the last few years. Because of the instability of the metical (3 devaluations since January 1987) and the large, but narrowing, spread between the official and street exchange rates, Mozambique's annual rate of inflation stated in dollar terms is probably much higher than the average for Southern Africa.

As a result of Mozambique's high rate of inflation, foreign national direct hire and contract personnel costs reflect an anticipated 15%-20% pay raise between FY89 and FY90. Funding for two professional FSN PSCs will change from CIP technical assistance to OE during FY90. These two actions result in a 21% cost increase for foreign national direct hire and contract personnel.

Housing costs for FY90 reflect rental increases of 15% and guard service cost increases of 10% due to inflation. No residential furniture purchases are budgeted for FY89 but in FY90 certain essential replacements for furniture procured in FY 85 must occur. These combined factors result in a 21% increase in housing costs.

## 2. Funding Shortages in FY 1989 and FY 1990

Because of the anticipated high rates of inflation and staff increases, it will be impossible for AID Mozambique to operate at the proposed budget levels without heavy mortgaging of expenses into subsequent fiscal years and deferring essential procurement. To accommodate necessary price increases and staffing costs, drastic measures were taken preparing this year's ABS. The following expenses have been identified as essential mission requirements but were omitted from the ABS to operate within designated budget levels.

### FY 1989

- a. U117 - Funding levels have required us to severely limit the number of Other Code 25 Travel. However, there is no medical or dental care in-country, and with increased staff the likelihood of needing additional funds in this area is very strong. Just one long medical trip to the U.S. or two emergency visitation trips could deplete this budget line item. Yet, there will remain the ongoing requirement for medical and dental treatment on a TDY basis.
- b. U302 - The desperately required U.S. PSC C&R Supervisor position was cut. The mission has no U.S. direct hire secretary to type classified cables and provide guidance to other secretaries on U.S. government standards in reference to correspondence, and this limits the overall effectiveness of the secretarial staff. Cutting this position will require USAID professional staff or Embassy staff to type the classified cables, thus resulting in an inefficient use of the mission's professional staff. (\$21.0)
- c. U405, U406 - FY89 residential appliance purchases will be deferred to FY91 unless serious maintenance problems occur with the current equipment. (\$14.1)
- d. U407, U510 - A reduction of 7 guards, or approximately 1 guard per residence, will result in fewer "roving" and replacement guards. (\$4.6)

e. U507, U508 - Purchase of replacement office air conditioners will be deferred to FY91 unless serious maintenance problems occur with the current equipment. Deferral to FY91 of miscellaneous office furniture and equipment purchases will result in inefficiencies (sharing of desks, typewriters, etc.) if all post assignments occur as scheduled. (\$11.6)

f. U514 AID/W site visits have been restricted to evaluation teams only and no other mission funded AID/W travel has been funded. The number of visits was reduced from 7 to 4. (\$15.0)

g. U517 - Conference attendance has been limited to participation in the Scheduling Conference, CIP Conference, PDO Conference in Transportation and conferences for the AID Representative. Funds will not be available for mission representation at the Food for Peace Conference or Executive Officers' Conference. The number of trips was reduced from 8 to 6. (\$5.1)

#### FY 1990

a. U117 - As in FY89, funding levels for Other Code 25 Travel are inadequate to provide for the appropriate medical and dental care that can be expected for a mission of this size.

b. U302 - As in FY89, the proposed U.S. PSC C&R Supervisor position was deleted at a savings of \$22.5. However, the consequences of deleting this position will be severe in FY90 due to increased demands by a full staff for secretarial and information management expertise. Even though the need strongly exists, budget constraints require us to cut to half time the local currency accountant at a savings of \$15.0. Since success of the CIP and PL480 programs depends on proper accounting of local currency generations, omission of a full time local currency accountant will have adverse effects on the success of these programs. (\$37.5)

c. U405, U406 - Only essential replacement of residential furniture and equipment will be ordered. Since the mission does not have a warehouse, it does not stockpile furniture and equipment and it only buys on an as needed basis. Defer to FY91 procurement of replacement appliances and a set of household furniture. If an assigned tandem couple unexpectedly transfers out and two individual employees replace them, another set of furniture will have to be purchased in FY90. (\$25.1)

- d. U505 - Defer procurement of an additional vehicle to FY91 at a measurable cost in terms of mission efficiency. (\$13.0)
- e. U507, U508 - Only essential replacement stock for office furniture and equipment will be ordered. To the maximum extent possible, defer to FY91 anticipated routine replacement of office air conditioners, typewriters, adding machines, and furniture. (\$9.5)
- f. U506 - Defer procurement of an additional Wang PC at a serious cost to the mission in operating efficiency. Operating at a full staffing level, the ratio of people to word processing equipment will decline and result in reduced efficiency of personnel time. (\$6.0)
- g. U514 - Mission funded AID/W site visits will be restricted to evaluation teams only. This will result in the Desk Officer not being able to visit post for over two years. The number of visits will be reduced from 7 to 4. (\$15.0)
- h. U516 - Training attendance will be restricted to only essential training for a new, inexperienced staff. Proposed attendance at the Project Implementation Course, DSP Course, and Management Skills Course is eliminated. (\$10.0)
- i. U517 - As in FY89, only essential conference attendance will be funded. Mission representation at the CIP Conference, Executive Officers' Conference, and PDO Conferences is deleted. The number of trips is reduced from 9 to 6. (\$7.7)

### 3. Management Improvements

In addition to previously initiated management improvements, additional programs are planned to take place beginning in FY88. U.S. direct hire workyear level will increase from 4.4 in FY88 to 8.7 in FY89 and 10.0 in FY90. U.S. and foreign national PSC levels will increase accordingly. As a result, AID Mozambique will become much more self-sufficient with a diminished need for TDY assistance, thereby reducing the number of AID/W and USAID/Swaziland site visits. The mission will benefit greatly by having a resident professional staff fully familiar with its programs and able to concentrate full-time on the needs of the mission. Additionally, by being fully staffed the mission will realize greater efficiencies in the use of personnel time. The professional staff will be relieved of performance of routine tasks and will be free to assume greater control and management of AID Mozambique's program. Clerical staff productivity will also improve as they are allowed to focus their efforts on designated areas of responsibility.

Other management initiatives include expanding office space to provide an adequate work environment for new staff and purchase of ADP equipment and software. The mission is actively pursuing various opportunities to secure permanent housing in advance of new arrivals and thus will reduce the need for providing high cost temporary housing (temporary lodging expenses) for employees arriving at post in FY89 and FY90. Additionally, the mission has made extensive use of vacant housing for TDY visitors, thereby substantially reducing per diem costs. FY88 savings will be at least \$5.0.

As discussed in the next section, efforts are underway to negotiate with more local vendors to accept payment in meticaís, thus transferring some of Mozambique's OE requirements from dollar appropriated funds to trust funds. Recent initiatives include local procurement and meticaís payment of printing and other miscellaneous services. Opportunities being explored for trust fund use include the purchase of locally made guard uniforms, petrol purchases, and payment to the national airline for international flights and transportation of documents. It should be noted that for planning purposes it is assumed that SER/IRM, AID/W will assume responsibility for ADP maintenance beginning in FY90.

These management improvements will result in improved mission control and productivity over the long run but at significant economic cost to AID Mozambique over the next few years. Additional housing and office space being procured to accommodate additional staff will have to be furnished but budget constraints will limit us to performing only minor renovations. These capital expenditures will be heavy through FY90 but they will benefit the mission for many years in the future.

Most of the improvements to mission efficiency which will be realized during the planning period relate to the mission achieving its proper staffing level. Costs related to maintaining a resident professional staff will necessarily increase with the scheduled staff increases. But these additions to AID Mozambique's operating budget level are necessary if the Mission is to properly manage its large and growing program.

#### 4. Trust Funds

Terms of the most recent Trust Fund Agreement call for deposits to the trust fund in the amount of 3.5% of the local currency generated by the CIP. In FY87 the dollar equivalent of trust fund deposits was \$61.2 and the amount is expected to increase in FY88 and beyond as a result of increased CIP activity. However, since the metical undergoes periodic devaluations it is difficult to predict the future dollar value of trust fund deposits.

Trust funds generated by AID Mozambique's CIP have minimally offset OE dollar requirements since FY86. The mission funds only a very limited number of OE expenditures from trust funds. Two principal obstacles exist to funding a greater portion of OE purchases from the trust fund. Many local vendors accept only hard currency and the GPRM has restricted the mission in the use of the trust fund for government controlled industries. Presently, the mission has obtained an exception from the GPRM to pay for utilities, telephones, telexes, and some rents in meticais; but it is prohibited from using trust funds for some other rents, petrol purchases and payments to the national airline. As discussed above, negotiations will be taking place to allow the mission to use trust funds for these purposes.

As the general economic climate in Mozambique improves and the metical assumes a more market-driven relationship to other currencies, more vendors are accepting payment in meticais. The mission makes local purchases in meticais whenever possible and will continue to negotiate with vendors and the GPRM to push for more opportunities to make payments in meticais.

656 - MOZAMBIQUE

FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (b)  
Information on F.N. PSC Costs

JOB TITLE/DESCRIPTION	FY 1987	FY 1988	FY 1989	FY 1990
<u>Office of The Director</u>				
Secretary (DIR)	11,494/956 (5/87-5/88)	12,254/310 (5/88-5/89)	14,700/500 (5/89-5/90)	17,600/600 (5/90-5/91)
<u>Office of Program &amp; Project Development</u>				
Program Ops Specialist	0	18,626/361 (11/88-10/89)	21,000/450 (11/89-10/90)	25,000/540 (11/90-10/91)
Secretary	0	10,114/281 (12/88-11/89)	12,137/500 (12/89-11/90)	14,500/600 (12/90-11/91)
<u>Commodity Import Office</u>				
Proj. Mgt Spec (CIP)	PROJ/821 (3/87-3/88)	PROJ/482 (3/88-3/89)	15,000/600 (3/89-3/90)	36,000/750 (3/90-3/91)
Proj. Mgt Spec (CIP)	-	PROJ/574 (10/87-10/88)	PROJ/700 (10/88-10/89)	22,000/840 (10/89-10/90)
Secretary	8,532/517 (2/87-1/88)	9,083/218 (2/88-1/89)	10,900/500 (2/89-1/90)	13,000/600 (2/90-1/91)
Systems Manager	13,153/603 (2/87-1/88)	12,049/275 (2/88-1/89)	14,400/500 (2/89-1/90)	17,000/600 (2/90-1/91)
<u>Emergency Assistance Office</u>				
Proj. Mgt Spec (FFP)	17,145/790 (11/87-10/88)	19,027/516 (11/88-10/89)	22,800/650 (11/89-10/90)	27,000/800 (11/90-10/91)
Secretary	8,532/517 (2/87-1/88)	9,083/218 (2/88-1/89)	10,900/500 (2/89-1/90)	13,000/600 (2/90-1/91)
<u>General Development Office</u>				
Secretary	-	1630/1230 (7/88-7/89)	1700/1200 (7/89-7/90)	1800/1450 (7/90-7/91)
<u>Office of the Controller</u>				
Accountant	9,361/586 (12/86-12/87)	14,602/373 (12/87-5/89)	FSN/DH	FSN/DH
Secretary/Acct Tech	-	-	10,200/500 (11/88-11/89)	12,000/600 (11/89-11/90)

Executive Office

Asst Exec Officer	9,244/641 (5/87-1/88)	9,975/249 (2/88-2/89)	12,500/500 (2/89-2/90)	14,500/600 (2/90-2/91)
Admin Asst (Tvl/Proc)	1,624/1,547 (12/86-12/87)	1,630/1,233 (12/87-12/88)	10,200/500 (12/88-12/89)	12,000/600 (12/89-12/90)
Maintenance Engineer	14,501/440 (3/87-3/88)	12,488/334 (3/88-3/89)	15,000/500 (3/89-3/90)	17,900/600 (3/90-3/91)
Maintenance Man	-	1,409/860 (2/88-2/89)	1600/1030 (2/89-2/90)	1700/1240 (2/90-2/91)
Dispatcher	1,409/1,064 (5/87-5/88)	1409/728 (5/88-5/89)	1600/900 (5/89-5/90)	1700/1080 (5/90-5/91)
Driver	1,409/821 (6/87-6/88)	1409/667 (6/88-6/89)	1600/800 (6/89-6/90)	1700/960 (6/90-6/91)
Driver	1,409/964 (9/87-9/88)	1409/778 (9/88-9/89)	1600/940 (9/89-9/90)	1700/1130 (9/90-9/91)
Driver	1409/883 (6/87-6/88)	1409/667 (6/88-6/89)	1600/800 (6/89-6/90)	1700/960 (6/90-6/91)
Custodians	1,177/811 (11/87-10/88)	1409/567 (11/88-10/89)	1600/700 (11/89-10/90)	1700/840 (11/90-10/91)
C&R Asst	1,242/828 (12/87-11/88)	1409/578 (12/88-11/89)	1600/700 (12/89-11/90)	1700/840 (12/90-11/91)
Receptionist	1,309/967 (7/87-1/88)	1409/860 (2/88-2/89)	1600/1,030 (2/89-2/90)	1700/1240 (2/90-2/91)
Temp Typist	174/140 (9/87-10/87)	-	-	-
Temp Typist	1,615/0 (6/86-6/87)	-	-	-

Transport Project Office

Secretary	-	-	1630/1230 (1/89-1/90)	1700/1450 (1/90-1/91)
Assist Proj. Officer	-	PROJ/NA	PROJ/NA	PROJ/NA

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Total \$	104,739	141,833	185,867	258,600
Total TF	13,896	12,359	16,230	19,320

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FY 1990 ANNUAL BUDGET SUBMISSION  
 Table VIII (b)  
 Information on U.S. PSC costs

JOB TITLE/DESCRIPTION	FY 1978	FY 1988	FY 1989	FY 1990
Food For Peace Officer	4,381 (4/1-4/14/87)	-	-	-
Agricultural Specialist	-	12,900 (2/88-2/89)	6,000 (2/98-7/89)	-
Executive Officer	-	64,000 (7/88-12/88)	USDH	USDH
Project Mgt Off(GDO)	-	-	40,000 (4/89-4/90)	42,500 (4/90-4/91)
Local Currency Acct(1)	-	-	29,000 (1/89-1/90)	16,000 (1/90-1/91)
C&R Supervisor (2)	-	-	0 (3/89-3/90)	0 (3/90-3/91)
Total	<u>4,381</u>	<u>76,900</u>	<u>75,000</u>	<u>58,500</u>

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (c)  
Manpower Contract Detail

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DESCRIPTION	FY 1988	FY 1989	FY 1990
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Not applicable, no manpower contract costs.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (d)  
All Other Code 25 Detail  
(\$000)

<u>Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Language Training (workyear level)	0.0	2.2 (0.1)	19.8 (0.6)	6.6 (0.2)
Misc. Contractual Services (workyear level)	15.4 (1.0)	23.4 (3.2)	25.0 (2.5)	24.9 (2.3)
Translation Services (as needed)				
Janitorial Services (as needed)				
Guard Supervision (annual)				
Temporary Clerical Services (as needed)				
Consulting Services (as needed)				
Charter Aircraft (as needed)				
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	15.4	25.6	44.8	31.5

Notes:

- (1) All code 25 services are procured from foreign national personnel.
- (2) No individual contract exceeds \$ 10.0.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (e)  
Obligations for Acquisition, Operation  
and Use of Information Technology Systems  
(\$000)

ITEM AND EXPLANATION	FY 1988	FY 1989	FY 1990
<b>1. Capital Investment</b>			
<b>A. Purchase of Hardware</b>			
Wang PC-240-1 240 PC, 1.2,360K, 40MB	3.5		3.5
Wang WLTC-3-1 Wang Laptop	11.0		
Wang PC-PM015 40 CPS Serial Printer	0.5	0.5	0.5
Wang DM50/300 8 Pin Milti. Matrix	1.5		
C/Tronicsups Minivert	1.0		
Miscellaneous	1.0		
<b>B. Purchase of Software</b>			
GTS Lotus 1-2-3 + Hal	0.5		
GTS DBase III Plus	0.5		
GTS General Software	1.0	2.0	2.0
<b>C. Site Facility</b>			
Subtotal Section 1	<u>20.5</u>	<u>2.5</u>	<u>6.0</u>
<b>2. Personnel:</b>			
A. Compensation, Benefits & Travel	14.5	14.4	17.0
B. Workyears			
<b>3. Equipment Rental, Space and Other Operating Costs:</b>			
A. Lease of equipment	0.0	0.0	0.0
B. Space	0.0	0.0	0.0
C. Supplies & other material	3.0	3.0	3.0
D. Non-commercial training	2.0	2.0	2.0
	<u>19.5</u>	<u>19.4</u>	<u>22.0</u>
<b>4. Commercial Services</b>			
A. Computer time	0.0		
B. Leased telecom services	0.0		
<b>C. Operations &amp; maintenance</b>			
(1) Operations			
(2) Maintenance			
(PSC Contract)			
Other than Wang Equipemnt			
Wang Equipment (local maint)	13.0	16.0	17.0
Wang Equipment (AID/W maint)			
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	<u>13.0</u>	<u>16.0</u>	<u>17.0</u>
<b>5. Total Dollars</b>			
Total Dollars	53.0	37.0	45.0
Total Workyears (from item 2A)	0.0	0.0	0.0
<b>6. Mission Allowance Levels</b>			
A. Existing Systems	32.5	35.4	39.0
B. New Expanded Systems	21.5	0.5	5.0

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FY 1990 ANNUAL BUDGET SUBMISSION  
 Table VIII (g)  
 Information on U.S. Direct Hire Staffing

POSNO/ SA CODE*	POSITION TITLE	PROG. MGT. RESPONSIBILITY	FY 1988	FY 1989	FY 1990
216561- 0006	AID Rep/Director	None	1.0	1.0	1.0
010 (d/e/f/g/i)	Program Officer		1.0	1.0	1.0
015(a/c)	Food For Peace Officer		1.0	1.0	1.0
020	Cmdty Mgt Officer		1.0	1.0	1.0
023	Proj. Dvl Officer (IDI)		0.1	1.0	1.0
Deleted	Executive Asst.		0.2	-	-
040(h)	Executive Officer	None	0.0	0.6	1.0
New	Controller	None	0.0	0.6	1.0
New	Asst. Director	None	0.1	1.0	1.0
New	FFP/Gen. Dvl		0.0	0.6	1.0
New	Proj. Mgt (Engineer)	Regional Rail System (690-0247)	0.0	0.9	1.0
Total Positions			10	10	10
Total Workyears			4.4	8.7	10.0

\* SA CODE - Special Activity Codes:.

- (a) Disaster Relief Officer
- (b) EEO Officer
- (c) Emergency Preparedness Officer
- (d) Environmental Officer

- (f) PVO Officer
- (g) Private Enterprise Officer
- (h) Security Officer
- (i) Women-in-Development Officer

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (h)  
Information on IDI Staffing

BS Code	Title	FY 1988	FY 1989	FY 1990
94	Proj. Dvl. Officer (completes training 9/89)	0.1	0.9	-
	Total Positions	1	1	0
	Total Workyears	0.1	0.9	0

Notes:

(1) Assumes PDO position to be filled by IDI member of tandem couple.

(2) IDI will transfer to POSNO 216561023 on completion of training.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (i)  
Information on Foreign Service & Third Country National  
Direct Hire Staff

CATEGORY	DESCRIPTIVE JOB TITLE	FUNDING	FY 1988	FY 1989	FY 1990
FSNDH	Accountant/Cashier	OE	0.0	0.7	1.0
	Total Positions	OE	1	1	1
	Total Workyears	OE	0.0	0.7	1.0

Note: Mission authorized 2 FSNDH, intends to use only 1.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table VIII (j)  
Information on Part-Time Direct Hire Staffing

US/ FSN/TCN	Descriptive Job Title	Funding	FY 1988	FY 1989	FY 1990
No Part-Time Direct Hire Staffing					

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FY 90 ANNUAL BUDGET SUBMISSION  
 Table VIII (k)  
 Information on U.S., Foreign & Third Country  
 National Contract Staffing

CATEGORY	DESCRIPTIVE JOB TITLE	FUNDING	FY 1988	FY 1989	FY 1990
OFFICE OF THE DIRECTOR					
FSNPSC	Secretary	OE/TF	1.0	1.0	1.0
USPSC	C&R Supervisor	OE	-	0.0'	0.0'
'Required but no funds available.					
OFFICE OF PROGRAM & PROJECT DVL					
FSNPSC	Program Ops Spec	OE/TF	0.9	1.0	1.0
FSNPSC	Secretary	OE/TF	0.8	1.0	1.0
COMMODITY IMPORT OFFICE					
FSNPSC	Proj. Mgt Spec (CIP)	PRG/OE/TF	1.0	1.0	1.0 OE
FSNPSC	Proj. Mgt Spec (CIP)	PRG/OE/TF	1.0	1.0	1.0 OE
FSNPSC	Secretary	OE/TF	1.0	1.0	1.0
FSNPSC	Systems Manager	OE/TF	1.0	1.0	1.0
EMERGENCY ASSISTANCE OFFICE					
FSNPSC	Proj. Mgt Spec(FFP)	OE/TF	1.0	1.0	1.0
FSNPSC	Secretary	OE/TF	1.0	1.0	1.0
GENERAL DVL OFFICE					
FSNPSC	Secretary	OE/TF	0.2	1.0	1.0
USNPSC	Proj. Mgt Spec	OE/TF	-	0.5	1.0
TRANSPORT PROJECT OFFICE					
FSNPSC	Secretary	OE/TF	-	0.7	1.0
FSNPSC	Asst Proj. Off*	PRG	-	0.7	1.0

CATEGORY	DESCRIPTIVE JOB TITLE	FUNDING	FY 1988	FY 1989	FY 1990
<b>OFFICE OF THE CONTROLLER</b>					
FSNPSC	Accountant/Cashier	OE/TF	1.0	.03-FSNDH'	
USDH	Accoun. (Local currency)	OE	-	0.9	0.5'
'Reduced to part time due to funding constraints.					
<b>EXECUTIVE OFFICE</b>					
USPSC	Executive Officer	OE	0.2	0.4-USDH	
FSNPSC	Asst Exec. Officer	OE/TF	0.9	1.0	1.0
FSNPSC	Admin Asst(Tvl/Proc)	OE/TF	1.0	1.0	1.0
FSNPSC	Maintenance Engineer	OE/TF	1.0	1.0	1.0
FSNPSC	Maintenance Man	OE/TF	0.7	1.0	1.0
FSNPSC	Dispatcher	OE/TF	1.0	1.0	1.0
FSNPSC	Driver	OE/TF	1.0	1.0	1.0
FSNPSC	Driver	OE/TF	1.0	1.0	1.0
FSNPSC	Driver	OE/TF	1.0	1.0	1.0
FSNPSC	Custodian	OE/TF	1.0	1.0	1.0
FSNPSC	C&R Assistant	OE/TF	1.0	1.0	1.0
FSNPSC	Receptionist	OE/TF	1.0	1.0	1.0
	Total Positions	OE/TF	21	25	25
	Total Workyears		18.7	21.8	22.5
	Total Positions	PRG	2	3	1
	Total Workyears	PRG	2	2.7	1
	Grand Total Positions		23	28	25
	Grand Total Workyears			25.2	25

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FY 1990 ANNUAL BUDGET SUBMISSION

Food Assistance Narrative

Rationale

The continued deterioration of the economic, health and nutrition conditions in Mozambique has reached a level which warrants international donors supplying significant food resources. The number of affected and displaced persons in Mozambique is now, according to the Government of the People's Republic of Mozambique (GPRM), 3,310,200 which is 23 percent of the total population. In addition, nearly all of Mozambique's predominantly urban residents (18 percent of the total population), are also affected because drought and armed insurgency are disrupting crop production and marketing activities to such an extent that 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), insecurity and the destruction of the country's productive system by armed insurgents, and the general stagnation of economic activities. One impact (which is expected to last for several years) is a critical, long term structural food production deficit that is coupled with a drastic fall in foreign exchange earnings precluding commercial food imports.

In conjunction with the 1988 Emergency Appeal, the GPRM estimated that 914,000 metric tons of imported foods (710,000 metric tons of cereals and 204,000 metric tons of other foods) would be needed for the crop year May 1, 1988, through April 30, 1989. An AID food needs assessment completed in early 1988 prior to the appeal indicated a total of 588,000 metric tons would be required. The difference is attributed to: 96,000 metric tons of sugar which was included by the GPRM in the food balance table, a 50,000 metric ton net increase in stocks and 90,000 metric tons of delayed arrivals from the prior year emergency pledges which were not included because the GPRM plans to use the late arrivals and net stock increase to create reserve stocks. In addition, the food needs assessment released by the GPRM indicated that an estimated 65,000 metric tons of domestic marketed production had not been included. However, subsequent information revealed that it had been included. Donor pledges known to date are expected to supply only 521,790 metric tons thereby leaving an unmet need of 392,210 metric tons if the calculations are based on the government appeal. If the calculations are based on the revised AID assessment, the unmet need is estimated at 131,210 metric tons.

In the health sector, infant mortality is officially estimated at 159 based on the 1980 census, but UNICEF estimates that the combined infant and child mortality rate probably ranges from 325 to 375. Immunization coverage has fallen seriously in the rural areas. For example, measles vaccinations have fallen from 50 percent in 1984 to 39 percent in 1985, and polio from 32 percent to 25 percent in the same time period.

The following quality of life indicators demonstrate the 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

Surveys undertaken in UNICEF-supported programs in the Ministry of Health show an apparent distinction between populations which have recently emerged from or continue to live in areas affected by insurgency, populations in mainly drought affected areas, and groups living relatively normal urban environments. In drought affected zones, such as Gaza, the incidence of acute malnutrition in children under five years of age is almost 6 percent, while in war-affected areas of Tete and Zambezia, where family life has been severely disrupted, acute malnutrition ranges between 8 and 13 percent. More dramatic, however, is the incidence of stunting, or "prolonged malnutrition" in such children. In all but one of the surveys undertaken in 1987, this was found to be above 38 percent, with a high of 63 percent in 1987, in Gaza province. In only three of the 21 surveys undertaken between mid-1985 and mid-1987 was the incidence of stunting below 30 percent.

At this time, there are generally four conclusions which can be drawn from the data available:

First, the health/nutrition information base has expanded considerably since 1986, and now, in 1988, there exists more complete nutrition/health data in Mozambique on which to base estimates of the magnitude of malnutrition and projections of emergency and market food needs;

Second, this data base indicates that the overall nutritional status of the general population is poor due to prolonged insecurity, drought and economic stagnation. Furthermore, the basic trend since 1984 appears to be one of a deteriorating state of nutrition throughout Mozambique, despite nutritional and health improvements in selected areas of the country. Generally, each year a greater proportion of the Mozambican population appears to suffer from some form of malnutrition;

Third, despite the expansion in health/nutrition information, there are still areas of the country where no information is available because of inaccessibility due to the security situation. However, impressions of health workers indicate that the health/nutrition status of unserved populations is probably worse than the condition of the general population. Thus, the current data may underestimate the magnitude of the national problem, and

Fourth, indications of drought in the northern provinces combined with continued drought in the central provinces and increased insurgent activity throughout the country point to a continuing deteriorating situation.

Given this situation, it is impossible to segregate clearly the short term humanitarian and emergency food needs from the structural food deficit. However, AID Mozambique's food assistance strategy is to provide both developmental food resources in support of the government's economic recovery program and, to the extent needed, humanitarian food aid for distribution to the at risk population. In doing so, the United States will be supplying approximately 26 percent of the estimated food needs in FY 1990. About 70 percent of the U.S. food resources are being shifted to a Section 206 (plus Section 416) development program. This shift was approved by AID/W for almost 120,000 tons in the FY 1988 program and will continue for at least a couple more years.

The gains of this approach derive from:

(1) The better understanding of the underlying economic, social, technical and administrative bases for the food problem and its eventual solution including the resultant multi-year dimension to the response; (2) the policy dialogue, self-help measures, and general linking of the U.S. monetized food assistance to the continuation of a steady and well charted reform program; and (3) our desire, and the Government's as well, to use the local currency generations to finance the local costs of food relief logistics in the rural area as well as recovery and rehabilitation of the rural sector. Section 206 local currency generations would bolster emergency operations and rehabilitation projects, and support services in rural areas.

In conjunction with this strategy, a study was completed in early 1988 to define types and levels of assistance for FY 1988, FY 1989 and out-years. This study concluded that the GPRM is making good progress in policy reforms in macro-economic, agricultural and food distribution sectors under the IMF/IBRD economic rehabilitation program. Nonetheless, Mozambique faces a significant food deficit with little prospect for solving either the structural or emergency food problems in the medium term. The balance of payments situation is so dismal that Mozambique cannot resume significant commercial imports in the foreseeable future. Prospects for rapidly increasing domestic marketed production are problematic because of widespread insurgency. The emergency is not under control and, in fact, is worsening. Available data suggest a continuing decline in nutritional levels. The AID study team recommended a Section 206 program to make specific improvements in the food security, distribution and transportation and support for the IMF/IBRD reform program.

The recovery and rehabilitation of Mozambique will not be rapid even if the insurgency ends tomorrow, the rains become and stay normal, and the reform trajectory is perfectly calculated. The damages and disruption will require years of recovery work. Fortunately, the attitudes of all the western donors in Mozambique are positive and the relief strategy and policies of the GPRM are realistic and pragmatic. In the document issued in April of 1988 for the Mozambique Relief and Rehabilitation appeal, the GPRM indicated its intent to link relief assistance from the international donors with rehabilitation efforts addressing the structural constraints in order to promote self-sufficiency and curtail dependency on outside aid as quickly as possible. In addition, the GPRM indicated that it planned to expand the distribution of relief goods through the increased use of the private sector, and both religious organizations and non-governmental organizations.

In support of this GPRM decision, AID Mozambique proposes to channel both food resources, and emergency and outreach grant funds to encourage U.S. non-governmental organizations to implement relief and rehabilitation activities. The U.S. is encouraging increased private sector solutions, including use of indigenous commercial entities, local NGO's, U.S. PVO's, and the free world's private sector in ways new to Mozambique. Funding for the rehabilitation of private coastal shipping is another example. The Section 206 developmental program provides further impetus to this thrust. Although emergency food needs are not "programmed" in Mozambique, food needs are known in advance due to the security situation. Realistic food aid requirements now can be projected at \$ 31.7 million for FY 1989 and \$ 34.9 million for FY 1990, compared with \$ 4.487 million and \$ 19.487 million respectively as shown in Table I.

Funding Sources: Title II and Section 416

In FY 1988, an estimated 78,400 metric tons of Title II resources valued at \$ 24.6 million were approved for distribution in Mozambique. In addition, approximately 98,000 metric tons of commodities valued at \$ 9 million will be supplied under Section 416 and monetized to generated funds for relief and rehabilitation efforts. These commodities were made available under bilateral government to government agreements with the Ministries of Commerce and Plan, and through a U.S. voluntary agency, World Vision. In FY 1989, the same distribution mechanisms will be utilized to distribute approximately 166,000 metric tons of emergency foods and monetized Section 206 foods with an estimated value of \$ 31.7 million. In FY 1990, the programming level of both Title II emergency and Section 206 commodities will reach approximately 168,030 metric tons with an estimated value of \$ 34.9 million.

Programming Mechanisms

A. Government to Government Agreements

In FY 1988, AID Mozambique will complete the following bilateral agreements with the GPRM:

A Title II transfer authorization providing emergency foods for free distribution to needy persons through the Department for Prevention and Control of Natural Calamities (DPCCN) of the Ministry of Cooperation; a Section 206 transfer authorization for Title II commodities to be monetized through the normal marketing channels of the Ministry of Commerce; and a Section 416 agreement to supply commodities for monetization through the same channels.

Under these monetization programs, the local currency generations are programmed for payment of current and capital expenditures in the agriculture, health and education sectors; internal logistical costs for relief distributions; and the implementation of relief and rehabilitation activities through U.S. and local non-governmental organizations.

In FY 1990, local currency will fund the capital account budgets in these sectors in accordance with the GPRM/IMF economic recovery strategy and current account expenditures will be covered by ordinary government income. To optimize the use of local currency generations, AID Mozambique is encouraging non-governmental organizations to seek ways of using these currencies in projects to the extent feasible given the security situation and the currency rules and practices in force.

## B. U. S. Voluntary Agencies

### World Vision Relief and Development

The World Vision Relief and Development (WVRD) voluntary agency has been operational in Mozambique since 1984. During this period, WVRD has implemented both relief and rehabilitation activities.

In FY 1988, WVRD is receiving 20,800 metric tons of Title II foods under an emergency program for distribution to approximately 100,000 beneficiaries located in western and central Mozambique. Implementation is through the Department for Prevention and Control of Natural Calamities (DPCCN), and the Mozambique Red Cross acting as agents. Approximately 90 percent of these commodities are distributed freely to drought and insurgency affected recipients in Tete, Manica, and Zambezia provinces. The balance is being monetized partially to off-set operational costs of WVRD and the internal food transportation costs of the DPCCN. In FY 1989, WVRD is requesting 18,000 metric tons of Title II foods for emergency or rehabilitation distribution programs as needed by the security situation. However, WVRD plans to distribute Title II foods only in Zambezia province; they will distribute in Tete and Manica province only food supplied by other donors.

In FY 1990, WVRD plans to continue implementing a Title II program and will request about 19,800 metric tons of food with an estimated value of \$ 4.2 million. To the extent feasible, AID Mozambique will encourage WVRD to convert the emergency program to regular program feeding activities targeted at specific vulnerable groups and rehabilitation activities. In conjunction with this, we plan to request FVA/FFP transportation and outreach funds and OFDA relief support funds.

WVRD has recently moved their principal office from Harare to Maputo and is taking steps to increase management staff, strengthen program management and improve commodity accountability and monitoring. WVRD staff will include an American country director, three provincial managers, two agronomists, and a public health doctor as well as related support staff who monitor food distributions, conduct end-use checks, verify warehouse documentation, and prepare monthly reports.

WVRD receives both food commodities and funding support from a variety of sources to assist in the implementation of its ongoing emergency program. Almost 50 percent of foods obtained by WVRD for relief distribution come from the European Economic Community, the Canadian International Development Agency, and the Australian Development Assistance Bureau. In FY 1988, WVRD received AID/OFDA grants totalling \$ 1,728,000 to support relief operations management and internal commodity transport, to provide agricultural inputs (AgPacks) for farming extension activities and to provide basic health services, immunizations and nutrition surveillance activities.

In FY 1990, WVRD will seek continued funding from other donors for a portion of the relief operations expenses. However, WVRD anticipates requesting either FVA/FFP or OFDA funding to partially cover internal logistics costs, to expand rehabilitation/recovery activities in agriculture and fisheries, and to supply basic health services and nutrition surveillance. The latter will assess the impact of WVRD's activities and determine food and health needs in areas served by WVRD.

#### Adventist Development Relief Agency

The Adventist Development Relief Agency (ADRA) is a U.S. voluntary agency chartered by the Seventh-day Adventist Church to support, rehabilitate, and enhance the quality of life of the poor without reference to their ethnic, political, or religious associations. ADRA offers disaster relief in the form of food, clothing, and temporary shelter; primary health care; increasing food production; and skills-building education and community organization. Its Title II program is supported in part by Outreach and OPG funds and has been further strengthened by an Enhancement Grant. The Enhancement Grant has been used to build ADRA's technical capacity in both the field and headquarters in health, agriculture, training and evaluation.

ADRA has been operational in Mozambique since 1986, and to date it has used its own resources and network to distribute various relief commodities. In FY 1988, ADRA submitted an emergency program request for approximately 3,100 metric tons of Title II commodities, and requested OFDA grant funds (\$ 1,334,000) to help distribute these foods to affected and displaced persons in the Inhambane province who need emergency assistance. ADRA plans to supplement these foods with seeds, clothing, and blankets for an integrated emergency program in Mabote district providing food, shelter and clothing to approximately 40,000 displaced Mozambicans.

ADRA plans to operate in the interior of Inhambane province because other relief programs have been operating primarily along the coastal strip in the larger population centers. Because of a severe lack of vehicles capable of transporting goods to the interior, only limited relief commodities are reaching the interior of this province. Under the OFDA grant, ADRA would purchase six 10 metric ton trucks to transport goods within the province of Inhambane because no other means are available. Local currency generated from monetization of Title II emergency foods has been requested to partially pay for internal transport costs and local personnel salaries.

According to the GPRM, there are 37,500 displaced persons in the Mabote district alone who require emergency rations but limited resources are being strained with the arrival of these displaced persons. While secure areas shift over time, the insurgency activities have not been a major threat to

logistical operations in the area. Sporadic attacks can create sudden additional emergency needs, but the district of Mabote is accessible.

The Department for Prevention and Control of Natural Disasters (DPCCN) is the government agency responsible for emergency distributions in the Mabote district, but the DPCCN's infrastructure is minimal and not equipped to handle all emergency needs. Because the GPRM is encouraging NGO's to participate in relief and relief activities, ADRA plans to provide emergency relief assistance for approximately twelve months and then redirect its program toward relief and rehabilitation activities with vulnerable groups. These activities will be implemented in conjunction with other NGO's in the area, e. g., Medecins Sans Frontieres/Belgium and BioForce/Italy. In support of these activities, AID Mozambique plans to request Title II foods in FY 1990 for distribution to vulnerable groups. To the extent feasible, AID Mozambique will encourage ADRA to convert the emergency program to regular program feeding targeted at specific vulnerable groups and rehabilitation activities. We also expect to request FVA/FFP transportation and outreach funds and OFDA relief support funds.

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FY 1990 ANNUAL BUDGET SUBMISSION  
Table XII  
P.L. 480 Title I/III

Supply and Distribution  
(000 MT)

<u>STOCK SITUATION</u>	<u>MAY 1988-APRIL 1989</u>	<u>EST. FY 90</u>
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N/A	N/A	N/A
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FY 1990 ANNUAL BUDGET SUBMISSION  
Table XIII  
P.L. 480 Title II

Sponsor's Name: World Vision Relief and Development Agency (WVRD)

-- Family Feeding.....Total Recipients: 110,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
110,000	Corn	15,840	1,584
110,000	Beans	2,640	1,525
110,000	Vegetable Oil	1,320	1,065
TOTAL		19,800	4,174

Sponsor's Name: Adventist Development and Relief Agency (ADRA)

-- Family Feeding.....Total Recipients: 44,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
44,000	Corn	1,500	150
44,000	Beans	1,500	866
44,000	Vegetable Oil	230	186
TOTAL		3,230	1,202

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

-- Section 206.....Total Recipients: 750,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
750,000	Corn	88,000	8,800
750,000	Wheat	10,000	1,420
750,000	Beans	9,500	5,485
750,000	Vegetable Oil	2,500	2,000
TOTAL		110,000	17,705

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

-- Family Feeding (Emergency)....Total Recipients: 250,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		Kgs.	Dollars
250,000	Corn	20,000	2,000
250,000	Beans	10,000	5,775
250,000	Vegetable Oil	5,000	4,037
TOTAL		35,000	11,812
GRAND TOTAL		168,030	34,893

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FY 1990 ANNUAL BUDGET SUBMISSION

Mozambique Privatization Plan

I. Strategy

The AID program in Mozambique supports the revitalization of the private sector, particularly private agriculture, and assists the government in meeting the country's substantial food deficit. AID was the first donor in Mozambique to target assistance to the private sector, which from 1975 to 1984 received little consideration from the GPRM in its investment priorities. Through the Private Sector Rehabilitation (PSR) program (656-0201), AID provides needed agricultural inputs, including capital equipment, seeds and fertilizer, as well as spare parts to rehabilitate older equipment.. The PSR program also has a technical assistance component which encourages foreign investment promotion, assists divestiture planning in key sectors of the economy, and trains technicians to repair agricultural machinery.

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 reform policies conducive to private sector development;
- \* to assist the GPRM in sector assessments leading to privatization of parastatals, state enterprises and intervened firms;
- \* to stimulate private sector production by providing direct support to private sector firms through the financing of raw materials and capital equipment, and,
- \* to support private sector farmers through continued provision of equipment and inputs.

II. Progress

Since early 1987 Mozambique has made substantial progress improving the macro-economic climate for the private sector. Its exemplary implementation of the IMF and World Bank supported Economic Rehabilitation Program (ERP) has included a nominal depreciation of the metical of

approximately 92%, the abolishment of producer price controls on all but two agricultural products, a tripling of interest rates, limits on subsidies to parastatals and streamlining of the tax code.

Government is now seeking private buyers for many enterprises currently owned by the state, and has already sold off approximately 30 such properties. Moreover, during the past two years the Government has returned "intervened" enterprises to owners who returned to operate them.

During FY 1988 AID Mozambique funded a "Reorganization Study of the Construction and Building Materials Industries," an analysis of nine companies and recommended actions to rehabilitate the companies in preparation for privatization. The mission has initiated formation of the Association of Private Mozambican Enterprises, a private business association formed to serve as an advocate for the private sector. With AFR/PRE support, the mission conducted a study of the private sector and developed four strategies to promote private sector growth in Mozambique which the mission will be able to execute within its financial and manpower limits.

### III. Short Term and Long Term Targets of Opportunity

While AID Mozambique will continue to be alert to the numerous targets of opportunity to support private sector development in Mozambique, our near term plan is to focus on successful implementation of the private sector activities underway and planned for during FY 1989 and FY 1990. 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. AID Mozambique 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 plans to finance Phase II of the Government's planned rehabilitation of the construction and building materials industries. Phase II involves devising an improvement plan for the nine firms, drawing up a performance contract for management of each firm and obtaining GPRM agreement to a privatization plan. The Private Sector Development Fund (656-0210) project proposed for FY 1990 will help the GPRM implement the rehabilitation.

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. Manpower Development. Through the regional Human Resources Development Assistance project (698-0463) and in collaboration with the Association of Private Mozambican Enterprises, AID intends to offer quarterly seminars for private sector employees. To reinforce GPRM determination to pursue a privatization strategy, AID will also continue to provide long term academic training in the United States (under AFGRAD and AMDP) in business administration, public administration, economics and agriculture.

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FY 1990 ANNUAL BUDGET SUBMISSION  
 Table To Annex H  
 Micro, Small, and Farm Enterprises

ESF and DA  
 Dollar Commitments for Micro  
 And Small Enterprise Programs  
 (U.S. Dollars Thousands)

	<u>FY 88</u> <u>Est.</u>	<u>FY 89</u> <u>Proposed</u>	<u>FY 90</u> <u>AAPL</u>
I. ESF Dollar Commitments			
A. For Micro Enterprise			
1. For Credit			
2. For TA/Training			
B. For Small Enterprise			
1. For Credit			
2. For TA/Training			
C. For Small Farmer			
1. For Credit			
2. For TA/Training	453		
II. DA Dollar Commitments			
A. For Micro Enterprise			
1. For Credit			
2. For TA/Training	50	100	100
B. For Small Enterprise			
1. For Credit			
2. For TA/Training	50	100	100
C. For Small Farmer			
1. For Credit			
2. For TA/Training			

Table to Annex H  
The Expenditure of Non-Project Assistance  
Local Currency Generations for Micro and Small Enterprise Programs  
(In Thousands of U.S. Dollars Equivalents)

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
	<u>Est.</u>	<u>Proposed</u>	<u>AAPL</u>
I. From ESF Generations			
A. For Micro Enterprises			
1. For Credit		500	
2. For TA/Training		50	100
B. For Small Enterprise			
1. For Credit		500	
2. For TA/Training		50	100
C. For Small Farmer			
1. For Credit			
2. For TA/Training			
II. From DA Generations (If Any)			
A. For Micro Enterprises			
1. For Credit			
2. For TA/Training			
B. For Small Enterprises			
1. For Credit			
2. For TA/Training			
C. For Small Farmer			
1. For Credit			
2. For TA/Training			
III. From P.L. 480 Generations			
A. For Micro Enterprise			
1. For Credit			
2. For TA/Training			
B. For Small Enterprises			
1. For Credit			
2. For TA/Training			
C. For Small Farmer			
1. For Credit			
2. For TA/Training			