

**ZIMBABWE**

**GRAIN MARKETING**

**REFORM RESEARCH**

**(613-0234)**

**PROJECT PAPER**

**SEPTEMBER 18, 1992**

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <input checked="" type="checkbox"/> A	Amendment Number _____	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> Zimbabwe		<b>3. PROJECT NUMBER</b> 613-0234		
<b>4. BUREAU/OFFICE</b>		<b>5. PROJECT TITLE (maximum 40 characters)</b> Grain Marketing Reform Research		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 09 30 95		<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "B:" below, enter 1, 2, 3, or 4) A. Initial FY 92 B. Quarter 4 C. Final FY 93		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( 520 )	( 180 )	( 700 )	( 1558 )	( 942 )	( 2500 )
(Loan)						
Other U.S.						
1.						
2.						
Host Country		83	83		833	833
Other Donor(s)						
<b>TOTALS</b>	520	263	783	1558	1775	3,333

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO-PRATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)				0		2500		2500	
(2)									
(3)									
(4)									
<b>TOTALS</b>				0		2500		2500	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b>	<b>11. SECONDARY PURPOSE CODE</b>
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code _____ B. Amount _____	

**13. PROJECT PURPOSE (maximum 480 characters)**

To provide research and analysis to support implementation of grain marketing reforms.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY MM YY Final MM YY 03 94 05 95	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) 935
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**  
 Methods of Implementation and Financing Certification

The USAID Zimbabwe Controller has reviewed the proposed methods of Implementation and Financing and finds them to be acceptable.

*Morse*  
 Controller Date 9/18/92

<b>17. APPROVED BY</b>	Signature <i>Ted D. Morse</i> Title Ted D. Morse Mission Director	Date Signed MM DD YY 09 18 92	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY 11/15/93
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## PROJECT AUTHORIZATION

Name of Country: Zimbabwe

Name of Project: Zimbabwe Grain Marketing Reform Research Project

Number of Project: 613-0234

1. Pursuant to the Foreign Assistance Act of 1961, as amended, the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991, as amended, Africa Bureau Delegation of Authority (DOA) 551, as amended, and the authority delegated under 92 STATE 300487, I hereby authorize the Zimbabwe Grain Marketing Reform Research Project for the Republic of Zimbabwe, involving planned obligations of not to exceed Two Million Five Hundred Thousand United States Dollars (\$2,500,000) in grant funds from the Development Fund for Africa (DFA) account, over a three year period from the date of authorization, subject to availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. Except as A.I.D. may otherwise agree in writing, the planned life of the project is three years from the date of initial obligation.

2. The project is designed to finance research and analytical services to support decision-making and the implementation of grain marketing reforms which are part of the Government's Economic Structural Adjustment Program.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities and Services

The source and origin of commodities and nationality of services financed under the project shall be in accordance with Africa Bureau DOA No. 551, Section 5F. Accordingly, commodities

financed by A.I.D. under the project shall have their source and origin in Zimbabwe, the United States or any other country included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Zimbabwe, the United States or any other country included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. All reasonable efforts shall be made to maximize procurement from the United States where practicable or feasible. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on a flag vessel of the United States.



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Ted D. Morse  
Mission Director  
USAID/Zimbabwe

September 18, 1992

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Date

Project Authorization for Grain Marketing PP

Drafted: MStephens *[Signature]*

Clearance:

PKBuckles, CPDIS	<u><i>[Signature]</i></u>	Date	<u><i>8/24</i></u>
CChihera, ARM	<u><i>[Signature]</i></u>	Date	<u><i>8/20/92</i></u>
RArmstrong, ARM	<u><i>[Signature]</i></u>	Date	<u><i>8/20/92</i></u>
MLewellen, CONT	<u><i>to cleared</i></u>	Date	<u><i>substance not cleared for auth. M&amp;K</i></u>
DKeene, RLA	<u><i>draft</i></u>	Date	<u><i>8/05/92</i></u>
SSpielman, DDIR	<u><i>[Signature]</i></u>	Date	<u><i>8/17/92 (with change as shown above)</i></u>

## ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: <sup>for</sup> Melissa Stephens, PDIS 

THROUGH: Patricia K. Buckles, CPDIS 

DATE: August 27, 1992

SUBJECT: Approval and Authorization of the Grain Marketing Reform Research Project (613-0234)

- I. ACTION REQUESTED: It is recommended that you approve the project paper for the Grain Marketing Reform Research Project (613-0234) and sign the authorization document for the project.
- II. BACKGROUND: In 1991, the Government of Zimbabwe announced a major economic reform program which would require restructuring of all productive sectors. This Economic Structural Adjustment Program (ESAP) is an export-led strategy based on increased investment and improved efficiency in government operations. In order to achieve the goals of ESAP, the government has been forced to review the state of the agricultural sector. Agricultural marketing subsidies have been one of the leading contributors to unsustainable fiscal deficits. The Grain Marketing Board (GMB), a dependency of the Ministry of Lands, Agriculture and Water Development is one of the marketing agencies scheduled for reform.

In addition, the traditional single-channel nature of the GMB system has created a situation in which rural consumers purchase maize meal which has been milled in urban areas, and then sent back to the rural areas. One of the underlying problems with this system has been the resulting high cost of processed maize and the unavailability of grain for rural consumers. Urban consumers also have a reduced number of choices of maize and maize meal types due to the unavailability of unprocessed grain in urban areas. Research under the proposed program, coupled with the GOZ's reform measures will result in wider availability and choice of grain and meal for all consumers.

USAID has provided assistance to the agricultural sector through the SADCC Regional Food Security Program coordinated by Zimbabwe. Bilateral assistance has been provided to Zimbabwe under the Zimbabwe Agricultural Sector Program which

provided a transfer of resources to support agricultural sector reforms. USAID/Zimbabwe initiated its support for reform of the agricultural marketing sector through a US\$5.0 million Non-Project Assistance program in 1991. This program provided balance of payments support to the GOZ and required policy changes related to increased autonomy for the GMB, reduced movement controls for grain movement in Regions IV and V, and increased access to grain for all buyers. During the development of the program it was noted that both public and private sector entities required research and analytical support to effectively carry out their mandates and to make rational policy and investment decisions. The proposed Grain Marketing Reform Research Project will address this need by providing increased access to a pool of relevant research and analysis capabilities.

III. DISCUSSION: The goal of the proposed project is to assist in developing the analytical framework required for effective implementation of the Economic Structural Adjustment Program. The purpose of the project is to provide research and analysis to support implementation of grain marketing reforms in Zimbabwe. By the end of the project, the following conditions will exist:

- public sector decision makers are informed and use policy tools resulting from research activities;
- private sector leaders are informed and are influencing the public sector decision making process using results from research; and
- private sector groups and entities are using research results to make investment business decisions.

The Grain Marketing Reform Research Project will be primarily a vehicle through which the government and key private sector groups such as millers, farmers, traders and transporters can request specific research tasks which will assist in the implementation of the reform of the grain marketing sector. Research support will be provided through a two-phase strategy. The majority of the research services will be provided through an institutional contract which will be competed locally and internationally. Local expertise is expected to predominate. During the period this major procurement is in process, AID will respond to GOZ and private sector requests through the use of Purchase Orders, PSC Contracts, local or AID/W IQCs or buy-ins to other projects.

A.I.D. will also provide financing for the services of a Project Manager, two evaluations, and annual audits.

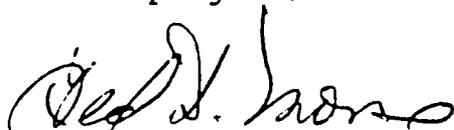
During the development of the project, A.I.D./W raised an issue regarding the relevance of this project if the 1991 NPA

program was a one year event. This issue has been satisfactorily resolved through discussions which reiterated that USAID/Zimbabwe is involved in the agricultural marketing sector on a multi-year basis. This project will complement and support the NPA program within the broader objective of supporting grain marketing reform in general, not just the reforms identified in the A.I.D. supported program. Successful implementation of this project is not dependent on annual funding for the NPA activity.

An Initial Environmental Evaluation has been completed for the project, and a categorical exclusion was approved due to the research functions proposed. Procurement actions for the project will be conducted so as to maximize the use of Gray Amendment firms where feasible.

- IV. CONGRESSIONAL NOTIFICATION: A Congressional Notification for this project was submitted to Congress and expired without objection on July 14, 1992 as noted in STATE 264265.
- V. AUTHORITY: You were delegated authority to authorize the Grain Marketing Reform Research Project in STATE 300487. Delegation of Authority No. 551, revised, states that you may authorize projects with a life of project funding of up to \$20 million. The proposed \$2.5 million level of funding for this project is clearly within your authority to authorize.
- VI. RECOMMENDATION: That you approve the project paper for the Grain Marketing Reform Research Project (613-0234) and sign the authorization document for the project.

APPROVED: \_\_\_\_\_

  
TED D. MORSE, DIRECTOR

DISAPPROVED: \_\_\_\_\_

DATE: September 18, 1992

Attachments:  
STATE 264265  
STATE 300487



Project Paper  
Grain Marketing Reform Research Project  
(613-0234)

Project Data Sheet  
Draft Project Authorization  
Cover Sheet  
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Grain Marketing Reform Research Support Project  
(613-0234)  
List of Acronyms

AADO	Assistant Agricultural Development Officer
AID	Agency for Interanational Development
AMA	Agricultural Marketing Association
CBD	Commerce Business Daily
ESAP	Economic Structural Adjustment Program
GDP	Gross Domestic Product
GMB	Grain Marketing Board
GOZ	Government of Zimbabwe
IQC	Indefinite Quantity Contract
MFEPD	Ministry of Finance, Economic Planning and Development*
MIS	Marketing Information System
MLAWD	Ministry of Lands, Agriculture and Water Development
NPA	Non Project Assistance
PAAD	Project Assistance Approval Document
PIO/T	Project Implementation Order for Services
PP	Project Paper
REDSO/ESA	Regional Development Support Office for Eastern and Southern Africa
RFP	Request for Proposals
USAID	United States Agency for International Development
ZASA	Zimbabwe Agricultural Sector Assistance

\*Footnote: Name changed to Ministry of Finance after drafting of PP.

## 1.0 SUMMARY AND RECOMMENDATIONS

The Grain Marketing Reform Research Project (613-0234) will be a \$2.5 million, three year effort. The goal of the proposed project is to develop the analytical framework required for effective implementation of the Economic Structural Adjustment Program. The purpose of the project is to provide research and analysis to support the grain marketing reform implementation. By the end of the project, public sector decision-makers will be informed and will use policy tools resulting from research activities; private sector leaders will be informed and influencing the public sector decision making process using results from research. In addition, private sector groups and entities will be using research results to make investment business decisions.

The Grain Marketing Reform Research Project will be a vehicle through which the government and key private sector groups such as millers, farmers, traders, and transporters can request specific research tasks which will assist in the implementation of the reform of the grain marketing sector. Research support will be provided through a two-phase strategy. The majority of the research services will be provided through an institutional contract which will be competed locally and internationally. It is expected that local expertise will predominate. During the period while this major procurement is in process, USAID Zimbabwe will respond to GOZ and private sector requests through the use of Purchase Orders, local or AID/W IQCs or buy-ins to other projects. A.I.D. will also provide financing for the services of a Project Manager, two evaluations and annual audits.

The analysis of the project and the complementary Non-Project Assistance Program initiated in 1991 indicate that the project is technically, socially, and environmentally feasible. The financial plan for the project indicates a reasonable basis for estimating project costs. Based on the results of these analyses and the project rationale, description and implementation arrangements described herein, it is recommended that you approve the project paper for the Grain Marketing Reform Research Project.

## 2.0 BACKGROUND

Agriculture's contribution of only 11 percent of GDP in 1989 does not reflect its full importance to Zimbabwe's economy. The sector as a whole accounted for about 40 percent of total exports in 1988. In addition, about half of the manufacturing sector relies on agriculture for inputs, and the agricultural sector accounts for approximately 70 percent of formal employment.

In analyzing the share of each individual agricultural commodity in total agricultural exports, tobacco is the most important, followed by cotton lint, sugar and maize. In 1990, tobacco earned nearly

Z\$1 billion. Maize exports vary by year. With the exception of 1983 and 1992, Zimbabwe has exported large quantities of maize, mostly to the Southern Africa region.

Prior to independence, the bulk of marketed agricultural production originated in the large scale commercial sector. Under the Rhodesian government, this sector received infrastructure, research results, government services, and subsidies. Small scale indigenous agriculture was neglected and confined largely to the communal areas and subsistence production.

When it came to power in 1980, the Zimbabwean Government was determined to reverse the bias that favored the commercial sector. Credit, extension, and marketing services were redirected accordingly in a concerted effort to bring the small-holder into the formal market economy. Beginning in 1982, USAID Zimbabwe, through its Zimbabwe Agricultural Sector Assistance (ZASA), played a considerable role in the effort.

The impact of the government's efforts can be seen in the fundamental change in the production structure for maize. In 1980 communal areas produced 10 percent of all marketed maize; by 1989 this figure has risen to 60 percent. At the same time, the number of producers registered with the GMB rose from 30,000 to 490,000, effectively incorporating more small scale producers into the formal economy. The Government's response to this structure has been tight control primarily through state-run institutions that were established prior to independence. These organizations are heavily regulated and place little reliance on the private sector.

### 2.1 Role of Agricultural Marketing

Within the agricultural sector, Mission and other donor assessments indicate that agricultural marketing may be the most important problem currently facing agriculture in Zimbabwe. Moreover, analysis has shown that agricultural parastatal losses are significant, accounting for more than a third of the GOZ deficit and loom as a key problem in meeting structural adjustment deficit reduction targets. Agricultural marketing channels including the Grain Marketing Board have been the primary GOZ vehicle for subsidies to consumers.

The key factor affecting performance of the marketing network is the centralized control of the single channel marketing network that is exercised by the public sector through the operation of the parastatals and the system of administered prices. Parastatal marketing boards are directly responsible for trading most commodities. Prices of controlled commodities and of all agricultural inputs are determined administratively. A wide range of regulations and licensing systems govern the activities of traders, transporters, and processors. The dominance of the parastatal marketing system has severely hindered development of

other markets in rural areas. Under the assumption that communal areas are self-sufficient in grain, the one-way flow of grain through the official marketing system would present few problems. However, in deficit areas or in times of drought such as the country is experiencing at present, such a system may seriously restrict grain availability and inflate local prices.

Some of the important policy questions concerning agricultural marketing pertain to the balance between public and private marketing organizations in carrying out key functions. There are certain functions - stabilization of food supplies for instance - in which the public sector may continue to play a leading role. Equally, functions can be identified such as the low cost extension of improved marketing services to outlying rural areas, in which there may be no alternative to supporting more effective private sector participation.

Other factors impede further progress toward sharing marketing responsibilities between the public and private sectors. Specifically, the development of a private grain marketing system is constrained by: (i) a regulatory framework which adds costs and creates inefficiencies; (ii) transport and infrastructure inadequacies; and (iii) underdeveloped rural credit markets which do not provide working capital.

### 3.0 PROBLEM STATEMENT

#### 3.1 Analytical Capacity Constraints

The GOZ has identified broad objectives under the ESAP, but it has moved cautiously to commit to specific policy changes due to a lack of existing research and analytical work to determine the precise sectoral steps required. The analytical requirements are substantial due to the political and social concerns which must be addressed if the reform process is to have public support. The GOZ has taken initial steps and three analytical pieces, supported by USAID Zimbabwe, are being developed at the current time. In a similar manner, the private sector needs to undertake analysis that will improve its ability to respond to the change in market conditions brought about as a result of the grain marketing reforms.

In order to effectively implement its reform program, the Government will be required to identify and implement short- and medium-term specific actions which are necessary to achieve ESAP goals, the policy changes that are needed to facilitate the actions, and the structural changes in each sector (and sub-sector, such as grain marketing) that will have to be accomplished. Research and analysis which are targeted toward specific implementation issues have the potential to inform political as well as technical decision-making. In contrast, where research is limited or non-existent, decision-making may not fully take into

account technical merits when finally coming to agreement on the most appropriate solution. This ability to make decisions in a timely manner is essential not only for effective implementation of reforms already announced, but also for future policy decisions which will be required to meet ESAP objectives.

The Ministry of Lands, Agriculture and Water Development (MLAWD) is fully supporting an analysis-driven process of policy reform. While some important analyses have been completed, further work is needed to better inform policy makers of the implications of changes in the areas of: regional pricing, strategic reserves (who is responsible, how much, and who pays), producer price stability, level and stability of consumer price of maize, and pace and sequencing of reforms.

The MLAWD has sound economic analytical capabilities, but could use additional research support in the analytical areas of agricultural marketing reform, design and implementation. At the moment, the presence of Ted Attwood, an Irish technical advisor (economist), greatly strengthens the analytical capabilities of the Ministry. While supportive of reforms for grain marketing, staff turnover and budget cutbacks tend to decrease the effectiveness and timeliness of the analytical work coming from the Economics and Markets Division.

The GMB has a new Planning Unit which is staffed by economists. This unit has been involved in putting together a Business Plan (with the aid of several economists from the Food Services Group in Cambridge, England), and will be involved in ongoing policy analysis. The level of training and capacity of the GMB Board of Directors to understand ongoing analyses is also quite strong. The levels of analytical, technical capacity in other branches of government and relevant private sector actors vary considerably. Many are not positioned to take advantage of the present and future reforms and lack access to sound economic financial and social analytical skills which would help them better formulate strategic plans. An increased understanding of the impact of proposed reforms, as well as the potential opportunities created by those changes, is critical to increased private sector participation and increased efficiency in the sector.

While sound technical and analytical ability exists in the private sector in Zimbabwe, those private sector entities most closely related with the grain marketing sector previously have not had the need for specific research and analyses which now exists. Industrial and small scale millers, transporters and traders do not have the expertise to analyze or undertake research on market trends and implications of major market reforms. As players in a regulated industry with much of their role dictated by government policy and allocation practices, groups such as the Commercial Farmers Union, transporters, Approved Buyers and others have operated within strictly defined confines. The reform of the

sector creates conditions for market-determined behavior, yet many of these key private sector groups are not positioned for the change and will require assistance to identify the advantage of new opportunities.

#### 4.0 PROGRAM FACTORS

##### 4.1 Relationship to Agency Policy and Objectives

The proposed Grain Marketing Reform Research Project will directly support the strategic objectives of the Development Fund for Africa of improving management of African economies by redefining and reducing the role of the private sector and increasing its efficiency, and by strengthening competitive markets to provide a healthy environment for private sector-led growth. The project is also consonant with the Agency's Private Enterprise Development Policy Paper which states "a key objective of A.I.D.'s strategy is to promote through the policy dialogue associated with U.S. assistance, a greater reliance on market determined prices and the initiatives of the private sector."

The project will provide expert technical research and analysis for key GOZ decision-makers and for relevant private sector entities and advocacy groups which will enhance their capacities to implement grain marketing reforms related to the GOZ's structural adjustment program. Through these reforms, the government will reduce its involvement in the marketing of grain, primarily maize. Specific reform measures under the Mission's Non-Project Assistance and the Economic Structural Adjustment Program (ESAP) also will broaden private sector participation in marketing and distribution channels by increasing informal miller access to grain. Complementary research through this proposed project will produce key information for market players who will be affected by the reforms and will enable them to make informed business decisions.

##### 4.2 Relationship to Country Strategies

In 1991, the Government of Zimbabwe initiated a major Economic Structural Adjustment Program. This program is designed to stimulate investment and remove impediments to economic growth. The central theme is enhanced reliance on market forces and a reduction in the role of the state, marking a major reversal of the policies undertaken to date by the Zimbabwe Government. The five-year program envisages foreign financing of \$US 3.4 billion to achieve a 5 percent annual growth rate. Approximately 75 percent of total needed resources will come from Zimbabwe's own foreign exchange earnings and borrowing.

The Government goals in the agricultural sector under ESAP are described in general terms in the Framework for Economic Reform paper presented in Paris in April 1991. Proposed changes to grain marketing as contained in the Government ESAP document are:

1. A commitment to phase out Government subsidies to GMB over a 4 year period.
2. Introduction of private competitors to GMB in grain marketing over the same period, such that by 1994/95 GMB will be operating side by side with private grain traders.
3. Commercialization of the GMB.
4. Whenever the state directs GMB to perform non-commercial functions, such functions will be properly costed and charged to Government account.
5. Pricing reforms that will allow for regional and seasonal patterns of supply and demand.

In order to implement this program and achieve these objectives, the GOZ and the private sector will need access to relevant analytical expertise. The proposed Grain Marketing Reform Research Project is designed to be the vehicle for tapping the necessary technical skills.

#### 4.3 Relationship to USAID Zimbabwe Strategies

As part of its strategic focus on strengthening the private sector in Zimbabwe, USAID Zimbabwe is supporting the GOZ grain marketing reform policies with a non-project assistance (NPA) program of which the first phase was initiated in fiscal year 1991. The Mission's program is based on a two-pronged strategy that is expected to yield both short term and long term results. The conditions for disbursement of the first US\$5 million have been met and the GOZ has specified actions necessary for grain market liberalization over the long term. These actions will also achieve specific and real returns in the short term. Additional phases and tranches of funding may be added to this NPA activity in the future. The program supports the GOZ objectives outlined above.

The proposed project complements the policy actions and will provide technically sound research and analysis to the GOZ and private sector participants in grain marketing. Through studies and expert counsel, the GOZ and the private sector will be able to effectively implement the policy and marketing reforms required to rationalize the operations of the Grain Marketing Board and increase private sector participation in the marketing of grain. The research activity is designed to be flexible so that it can be adapted to meet future policy analysis and implementation needs that may arise from subsequent tranches.

#### 4.4 Other Donor Activities

USAID Zimbabwe's efforts will be strengthened by complementary activities undertaken by other donors. At present, the Government of Ireland has provided a long term advisor for the Ministry of Lands, Agriculture and Water Development. The Canadian International Development Agency also is financing a program in agricultural marketing. In addition, the World Bank has proposed

a program which will focus on liberalization of agricultural pricing and marketing regulations. The World Bank program will include a large directed line of credit as well as technical support. It is anticipated that the Bank's program will be in place by June 1993.

## 5.0 PROJECT DESCRIPTION

### 5.1 Project Goal and Purpose

The goal of the Grain Marketing Reform Research Project is to develop the analytical framework required for effective implementation of the Economic Structural Adjustment Program. The purpose of the project is to provide research and analysis to support implementation of grain marketing reforms in Zimbabwe. The project will assist the GOZ and relevant private sector entities to carry out research to support grain marketing reforms, support the development of a medium range grain marketing strategy and its implementation, and support private sector interests involved in implementation of grain marketing reforms.

### 5.2 Project Objectives and End of Project Status

By the Project Assistance Completion Date, the following results will have been achieved through the research project.

1. GOZ policy makers in the GMB, MLAWD, and the MFEPD will have the technical basis for decisions to effectively implement reforms of the grain marketing system.
2. Private sector entities including millers, traders, credit institutions, transporters, approved buyers, the Commercial Farmers' Union, the National Farmers Association of Zimbabwe, and the Zimbabwe National Farmers Union will have obtained requested technical reports and studies which increase: 1) their capacity to participate in the marketing, distribution, and sale of grain; 2) their capacity to enter into effective dialogue with the GOZ; and 3) their capacity to expand or adapt business practices to future policy changes.

### 5.3 Project Description

The objective of the project is to provide support for those involved in implementation of the grain marketing reform in Zimbabwe (the Ministry of Lands, Agriculture, and Water Development (MLAWD), the GMB, Agricultural Marketing Association (AMA), transporters, millers, traders, farmers, financial institutions, etc.) in developing and carrying out research and analysis required to assess policy options, and determine and evaluate intrasectoral linkages of such reform measures. Project assistance will support short term analyses and provide the technical research foundation for the implementation of a medium term grain marketing

commercialization strategy.

Research and analytical capability are being sought as a means of underpinning government's policy decisions. The nature of the support needed is to devise and apply analytical techniques which foster implementation. The following section describes illustrative research activities that would be carried out under the project. The examples presented relate to reforms sought under the first \$5 million NPA which USAID Zimbabwe has in place.

The implementation approach is to create a pool of technical resources which could be used by both the public and private sector to address the analytical needs as described below or to meet the needs which may arise with future policy and NPA activity. Research and analytical services will be provided through two channels. A long term institutional contract will provide the majority of expert research and analysis for a two year period. In addition, funds will be available for distinct analytical work which will need to be carried out before the long term contract is in place. It is anticipated that the research will be provided primarily by local firms and will be short term in nature. The long term contract will, however, be flexible enough to adjust to needs for expatriate assistance where required.

Illustrative research work that the project will support includes the following:

**A. Support for Program Implementation:**

1. Analysis of cost-saving implications, if any, of selling grain at GMB collection points.
2. Analysis of the impact of Government pricing policy with regard to maize meal retail mark-ups on the distribution of more expensive meal.

Pricing policy regarding roller meal may create disincentives to millers. The analysis will focus on determining selling prices that equalize gross revenue across all three types of maize meal, with an assessment of their impact on commercial millers and retailers.

3. Analysis of the impact of Government authorization for the manufacture of straight-run meal for sale in convenient retail bag sizes.
4. Assessment of the impact of the permit system on transporter entry into grain marketing.

The assessment should include recommendations on how system should be improved, amended or abolished if it is found to have a negative impact on grain transportation

and marketing.

**B. Medium Term Strategy for Development: Policy Analyses to Develop Strategy**

1. Assessment of probable impacts of removing movement controls in Natural Regions I, II, and III.
2. Analysis of the synchronization of producer, wholesale, and retail price gazettement for grains.

This was done for the first time for the 1991/92 marketing year. The analysis will examine the impact of these changes and determine if they are sufficient to transfer appropriate price signals.

3. Assessment of the amelioration of GMB losses due to foreign exchange losses on external borrowing.

In the past, a portion of GMB debt requirements have been financed through foreign borrowing. Due to a decline in the value of the Zimbabwe Dollar, foreign borrowing has become more costly. This assessment will quantify the savings, if any, to GMB and the GOZ which would result from financing through domestic resources.

4. Analysis to determine if grain supplies at GMB collection points are sufficient to meet local demand.
5. Analyze the costs and benefits associated with alternative pricing and marketing policies for maize meal.

The analysis will examine these issues with respect to: affordability by low-income consumers, costs to the treasury, changes in demand for GMB maize, the potential leakage to stockfeed and feasible targeting mechanisms to reach low-income consumers. Analysis of pan-seasonal and pan-territorial pricing policy will also be included.

6. If warranted by consumer taste preference studies (see below) analysis of what the Government of Zimbabwe can do to encourage commercial production of straight-run meal, including impact this would have on rural and urban consumers and millers.

**C. Non-Policy Analysis**

1. Analyze the needs of traders in the area of transport, capital formation, availability of credit,

infrastructure, market information, and other factors with respect to grain marketing.

2. Carry out a needs assessment for the establishment of local grain processing capacity in deficit zones in terms of capital formation, availability of credit, technology, market information, and other factors which may affect increasing grain processing capacity.

3. Economic and financial analysis of small-scale milling.

This analysis will examine the financial viability of small-scale milling in urban and rural areas under varying prices. In addition, it will examine the economics of small-scale milling in urban areas versus the large scale mills currently in operation in Zimbabwe. This analysis will seek to determine the appropriateness of this technology in terms of employment generation, low initial investment costs, lower operating costs, and capital utilization.

4. Analyze the needs of transporters in terms of vehicles, roads, capital formation, availability of credit, and other non-policy factors which may hinder increased transportation of grain.

5. Analyze constraints and possible incentives for increased on-farm storage of grain or incentives for traders to increase storage of grain.

6. Analyze the need for a Market Information System (MIS) as a necessary investment to assist in the development of private sector grain marketing.

7. Analyze the economic and financial implications of privatizing GMB bag and silo depots. The analysis should look at the financial viability of private bag and silo depots as well as the overall economic costs and benefits of privatizing these and/or other GMB services.

8. Analyze consumer taste and cost preferences for straight run meal, roller meal and super-refined meal.

## 6.0 COST ESTIMATES AND FINANCIAL PLAN

### 6.1 Project Cost Estimates

The financial plan for the Grain Marketing Reform Research Project is shown in Tables 1-5. Table 1 provides the summary illustrative project budget indicating A.I.D. and host country contributions. Table 2 shows the foreign exchange and local cost components of the project. Table 3 is the summary illustrative budget by year with

costs shown by year and in foreign exchange or local currency costs for the A.I.D. and host country contributions. Table 4 is a detailed illustrative budget for the research component, and Table 5 shows the obligation schedule and anticipated expenditures by fiscal year.

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Grain Marketing Reform Research Project  
 Illustrative Summary Project Budget  
 Table 1

	AID	Host Country	TOTAL
-----			
Technical Assistance	2,128,027	833,000	2,961,027
Project Management	46,800		46,800
Audit	50,000		50,000
Evaluation	50,000		50,000
Subtotal	2,274,827	833,000	3,107,827
Contingency	225,173	0	225,173
TOTAL	2,500,000	833,000	3,333,000
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Grain Marketing Reform Research Project  
 Illustrative Summary Project Budget

Table 2  
 (\$US or equivalent)

	AID		Host	TOTAL
	FX	Local Costs	Country	
Technical Assistance				
Short Term Local		617,760	833,000	1,450,760
Short Term International	430,800	0		430,800
Home Office Support Costs	108,000	172,000		280,000
Seminars		90,000		90,000
Overhead	561,000			561,000
Contingency	148,467			148,467
Subtotal Technical Assistance	1,248,267	879,760	833,000	2,961,027
Project Management		46,800		46,800
Audit	50,000	0		50,000
Evaluation	35,000	15,000		50,000
Subtotal	1,333,267	941,560	833,000	3,107,827
Contingency	225,173	0		225,173
TOTAL	1,558,440	941,560	833,000	3,333,000

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Grain Marketing Reform Research Project  
 Illustrative Summary Project Budget by Year  
 Table 3  
 (\$US or equivalent)

	YEAR 1			Year 2			Year 3			TOTAL FX COSTS	TOTAL LOCAL COSTS	TOTAL HOST COUNTRY
	FX Costs	AID Local Costs	Host Country	FX Costs	AID Local Costs	Host Country	FX Costs	AID Local Costs	Host Country			
Technical Assistance												
Short Term Local		123,552	83,300		308,880	541,450		185,328	208,250		617,760	833,000
Short Term International	129,210			215,400			86,160			430,800		
Home Office Support Costs:	63,000	27,600		21,000	86,000		16,000	58,400		108,000	172,000	
Seminars					54,000			36,000			90,000	
Overhead	81,150			361,650			112,200			561,000		
Contingency	22,270			96,504			29,693			148,467		
Subtotal Technical Assistance:	303,660	151,152	83,300	700,554	448,880	541,450	244,053	279,728	208,250	1,218,267	879,760	833,000
Project Management		15,600			15,600			15,600			46,800	
Audit				25,000			25,000			50,000		
Evaluation					15,000		35,000			35,000	15,000	
Subtotal	303,660	166,752	83,300	725,554	479,480	541,450	304,053	295,328	208,250	1,333,267	941,560	833,000
Contingency	33,776			146,362			45,035			225,173		
TOTAL:	337,436	166,752	83,300	871,916	479,480	541,450	349,088	295,328	208,250	1,558,440	941,560	833,000

Grain Marketing Reform Research Project  
 Illustrative Budget  
 Detailed Technical Assistance Budget  
 Table 4

	Rate	Person Months	Number	ZIM Dollar Total	U.S. Dollar
I. Short Term Local					
Technical Assistance					
Salary (\$Z)	5,000	24	20	2,400,000	
Travel (No. of Trips/Mon)(\$Z)	500	24	9	108,000	
Per Diem (days/Mon)(\$Z)	605	24	40	580,800	
Subtotal Short Term Local(\$Z)				3,088,800	617,760
II. Short Term International					
Technical Assistance					
Salary	8,000	24			192,000
Travel	5,000	24			120,000
Per Diem	4,200	24			100,800
Local Travel	750	24			18,000
Subtotal Short Term Int'l					430,800
III. Home Office Support Costs					
Project Director (\$Z)	8000	4	1	32,000	6,400
Project Manager (\$Z)	5,000	24	1	120,000	24,000
Secretarial Support(\$Z)	2,500	24	2	120,000	24,000
Accountant (\$Z)	4,500	24	1	108,000	21,600
Vehicle	15,000		1		15,000
Maintenance and Fuel(\$Z)	7,500	24	1	180,000	36,000
Office Equipment	45,000		1		45,000
Communications(\$Z)	12,500	24	1	300,000	60,000
Other Direct Costs	2,000	24	1		48,000
Subtotal Office Support				860,000	280,000
Seminar Costs(\$Z)	45,000		10	450,000	90,000
Overhead					561,000
Subtotal				4,398,800	1,979,560
Contingency (7.5% )					148,467
TOTAL				4,398,800	2,128,027

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Illustrative Summary Project Budget  
 TABLE  
 Obligation and Expenditure Schedule  
 By Fiscal Year

	Obligations		Expenditures		Pipeline at FYE	
	AID	Host Country	AID	Host Country	AID	Host Country
FY 1992	700,000	233,333	1,500		698,500	233,333
FY 1993	1,800,000	600,000	682,742	250,000	1,815,758	583,333
FY 1994	0		1,184,715	416,667	631,043	166,667
FY 1995	0		631,043	166,667	0	0
TOTAL	2,500,000	833,333	2,500,000	833,334		

## 6.2 Audits

There will be annual non-federal audits of the Grain Marketing Reform Research Project during its three year period of implementation. In the event that funds are disbursed directly to the grantee, in accordance with the newly revised Grant Standard Provision Annex (Section B.5), the Government of Zimbabwe will ensure that annual financial audits of the funds disbursed to the Grantee are carried out. The amount of \$50,000 has been budgeted for the auditing and financial review costs during the life of the project. In addition, the A.I.D. Inspector General may audit aspects of the project to determine compliance and the efficiency of the use of project funds.

## 6.3 Counterpart Contributions

The host country will provide approximately the equivalent of \$833,000 in local currency support over the life of the project. It is anticipated that the Government of Zimbabwe will contribute the majority of this amount, with the private sector beneficiaries contributing the balance. This support shall be either in-kind (office space and support for short term technical consultants) or in cash. The Project Agreement will stipulate that the GOZ will report to USAID Zimbabwe quarterly on its counterpart contributions. The Project Manager will be responsible for monitoring and verifying counterpart contributions. The GOZ contribution may be made available from the GOZ local currency counterpart funds associated with NPA activities.

## 6.4 Methods of Implementation and Financing

The grant will be implemented using the standard operating procedures which have been established between the Government of Zimbabwe and USAID Zimbabwe for bilateral grant agreements. Specifically the project will be obligated by a Grant Agreement signed by the Government of Zimbabwe and USAID Zimbabwe.

<b>Element</b>	<b>Method of Implementation</b>	<b>Method of Financing</b>	<b>Amount</b>
Research/ Technical Assistance	AID Direct Contract/Buy-Ins to existing AID Direct Contracts/ IQCs/Purchase Orders	Direct Payment/ Reimbursement	\$2,128,027
Project Manager	AID Direct Contract	Direct Payment	\$ 46,800
Audit	AID Direct Contract/IQC	Direct Payment	\$ 50,000

Evaluation	AID Direct Contract/IQC	Direct Payment	\$ 50,000
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## 7.0 ADMINISTRATIVE AND PROCUREMENT ARRANGEMENTS

### 7.1 Responsibilities of the Participants

#### A. Project Implementation Committee

Project oversight will be provided by a Project Implementation Committee which will have as permanent members the Ministry of Lands, Agriculture and Water Development (MLAWD) and USAID Zimbabwe. Other relevant GOZ agencies or private sector groups may be asked to participate on an ad hoc basis. The Project Implementation Committee shall adhere the following procedures for approval of research requests:

The contractor shall receive requests for research, analysis or other activities which support implementation of the grain marketing reform program from GOZ ministries and agencies and from private sector groups or entities. The GOZ, represented by the MLAWD, and USAID Zimbabwe shall review these proposals with the contractor on a monthly basis, or more often as needed to assure responsiveness to ensure that research activities contribute to overall program objectives. The MLAWD and/or USAID Zimbabwe may invite others to join this review as they deem appropriate.

It is anticipated that there will be research needs which should be addressed during the initial period of project implementation, while the competitive process to select the primary contractor is being completed. USAID Zimbabwe and the Government of Zimbabwe, acting through the MLAWD, will agree on the terms of reference for such requests as outlined above. Upon agreement, USAID Zimbabwe will contract for such assistance using local IQCs, Purchase Orders, Personal Services Contracts, or other appropriate mechanisms.

The formula for maximizing flexibility in identifying research topics is:

50% of the research and analysis project funding is to apply to research activities requiring joint agreement by the GOZ and USAID Zimbabwe.

25% of the research and analysis project funding is to apply to research activities requiring agreement by the GOZ.

25% of the research and analysis project funding should

be applied to research activities requiring agreement by USAID Zimbabwe.

This formula shall apply to all research requests under the project. Upon approval of a research request, USAID Zimbabwe will inform the contractor in writing once the primary contractor is selected. As noted above, USAID will contract directly for services prior to the completion of the competitive selection process for the primary contractor. This approval shall designate a key contact person in the requesting ministry, agency, or entity who will function as a member of the research team and will provide technical direction to the researchers.

#### B. USAID Zimbabwe

USAID Zimbabwe will undertake a competitively awarded A.I.D. Direct Contract for the research services required by this project. In addition, USAID Zimbabwe will be responsible for project monitoring and continual liaison with the Government of Zimbabwe and key private sector entities, and the selected contractor. As noted above, USAID Zimbabwe will participate in the Project Implementation Committee. USAID Zimbabwe will assign these duties to a Project Manager who will be responsible for preparing project progress and financial reports. This individual will also monitor and report quarterly on the host country counterpart contribution. USAID Zimbabwe will arrange for two independent evaluations during the life of the project, and for non-federal audits as required.

The Project Manager responsible for implementation and monitoring will be the Assistant Agricultural Development Officer (AADO) in the General Development Office, USAID Zimbabwe. The AADO will have direct responsibility for day to day monitoring of the contractor and will liaise with the MLAWD, GMB, AMA and relevant private sectors on a frequent basis. The AADO will be supervised by the General Development Officer. Together these two officers will provide guidance to the contractor in the development of its semi-annual workplans and will brief Mission Management as required on the status of the project. The Project Manager will be responsible for preparing Project Implementation Reports on the activity and other reports as required.

The Regional Contracting Officer in REDSO/ESA will assist with the negotiation of the A.I.D. Direct Contract to procure research and technical assistance services required. Legal services will be provided by the Regional Legal Advisor based in South Africa, and the USAID Zimbabwe Controller will be responsible for disbursements.

#### C. Government of Zimbabwe

The Government of Zimbabwe, with technical representation by the

Ministry of Lands, Agriculture and Water Development, shall participate in the Project Implementation Committee. The Government shall designate a technical representative for each research request it makes under the project. This technical representative shall provide direction to the research team. In addition, the Government shall provide the stated counterpart contribution and shall report quarterly on its contribution.

### 7.2 Implementation Schedule

The following planned schedule lists the major activities associated with the project.

Project Authorization	September 1992
Project Grant Agreement Signed	September 1992
PIO/T for major contract signed	September 1992
CBD Notice sent to AID/W	2 weeks after PIO/T
CBD announcement published	5 weeks after PIO/T
RFP issued to interested parties	9 weeks after PIO/T
RFP closes/Proposals received	15 weeks after PIO/T
Technical Evaluation completed	20 weeks after PIO/T
Best and Finals reviewed	24 weeks after PIO/T
Cost Proposals Reviewed	27 weeks after PIO/T
Negotiations completed	30 weeks after PIO/T
Contract Signed	32 weeks after PIO/T
TA/Research Team in place	37 weeks after PIO/T
Establish Project Implementation Committee	October 1992
PIO/Ts for Immediate Research	October/November 1992
Delivery Orders under local IQCs	4 - 6 weeks after PIO/Ts
Researchers in place	8 - 10 weeks after PIO/Ts
Mid Term Evaluation	March 1994
Final Evaluation	May 1995
Audits	May 1994 May 1995
Project Assistance Completion Date	September 1995

### 7.3 Procurement Plan

Research and technical assistance services shall be procured in two stages. Initial research needed on a urgent basis will be procured through IQCs, purchase orders, and through buy-ins to existing A.I.D. contracts or projects. The majority of the research and technical assistance services will be procured through an A.I.D. direct contract using full and open competition.

The major research and analysis services contract shall be for a period of approximately 24 months. Commodity procurement will be incidental to the technical services provided under this contract, and the contractor shall procure the requisite office equipment using its own procedures. This contract is not recommended for a small business set aside due to the requirement to provide diverse skills and the requirement for extensive local knowledge and experience. Current Agency policy regarding Gray Amendment procurement will be followed during the course of the contracting action. A Gray Amendment Certification is provided in Annex F.

Procurement of services for audits and evaluations shall be carried out through competition or through the use of previously competed instruments such as Indefinite Quantity Contracts.

#### 8.0 MONITORING AND EVALUATION

Monitoring of the overall grain marketing reform program will be carried out under an USAID Zimbabwe direct contract funded outside of this project. The information generated by the monitoring contractor shall be available to the prime contractor under this project who shall use such information in carrying out its work. Day to day monitoring of the contractor shall be carried out by the Project Manager.

During the life of the project, two evaluations will be conducted. The first evaluation will assess progress toward overall accomplishments and recommend modifications in project design or implementation strategy. The second evaluation will assess program and project impact against objectives. It is anticipated that the final evaluation will be carried out in conjunction with an evaluation of the Grain Marketing Reform NPA Program.

#### 9.0 SUMMARY OF ANALYSES

The following sections are extracted from the analyses completed for the Grain Marketing Reform PAAD. These analyses focus primarily on the policy reforms to be accomplished, but are applicable to the research activities to be financed under this project.

##### 9.1 Technical Assessment

The technical assessment looked at the feasibility of the proposed reforms and at the technical constraints to broader private sector participation in grain marketing.

The three main policy issues reviewed included: 1) sale of grain to any buyer (greater than one bag); 2) Cabinet approval of policy to allow all buyers to resell in Natural Regions IV and V; and 3) permitting the sale of grain at GMB collection points and/or other non-depot distribution points. Interwoven with these reforms is

the dissemination of the new policy to the general public.

The technical analysis indicated that savings due to decreased transport costs would result from implementation of the first policy change listed above, but that effective information dissemination channels were essential to change behavior of depot managers and buyers among others. Implementation of the second policy item will result in increased outlets for surplus maize in one area, while also satisfying the demand for maize in deficit areas. The proposed research project will carry out the analysis to determine the effect of expanding the free movement of grain to Natural Regions I, II, and III based on the experience in Natural Regions IV and V. Implementation of the third policy item noted above would require some modification in the operation of the GMB collection points as they currently do not handle cash transactions. A specific study of the operational issues could be completed under this research project. In addition, further analysis on the technical feasibility of a follow-on NPA program indicates that there are implementation issues related to the enforcement of current grain movement regulations. Research and analysis under this project will address these issues.

Technical constraints to broader private sector participation will reduce the effectiveness of policy reforms sought under the NPA program. The specific constraints are credit, storage, transport and infrastructure, adequate information, limited specialization in marketing functions, lack of competition and lack of experience in dealing with small scale farmers and traders. This project will include research to analyze non-policy issues which may impede implementation of the program.

## 9.2 Social Assessment

The range of groups who will be affected by the grain marketing changes is large. Groups who may have worked in an environment of a guaranteed market or of guaranteed supply may face new market conditions. In addition, with the freedom of movement of grain and the eventual liberalization of prices, producers and distributors alike will see major changes in their operations.

Principle groups affected by the current grain marketing structures include:

- Large Scale Commercial Farmers
- Indigenous Commercial Farmers
- Small Scale Commercial Farmers
- Communal and Resettlement Farmers
- Residents of Grain Surplus Areas
- Residents of Grain Deficit areas
- Urban Consumers
- Rural Low-Income Consumers
- Approved Buyers

Private Traders  
 Commercial Millers  
 Informal Sector Millers  
 Transporters

The Social Soundness Analysis in the Zimbabwe Grain Marketing Support (613-0233) PAAD provides extensive information on the current status of these groups, their perceptions of the current system and describes the potential impact that the proposed changes will have on each group.

The reforms being implemented under Phase One of the Grain Marketing Reform Program have resulted in significant progress in the area of relaxing controls and encouraging the private sector in grain marketing. However, the next steps to move towards a competitive liberalized economy may be more difficult and will face more social opposition than those proposed to date.

Specifically, further decontrol of movement restrictions with simultaneous regional pricing differential may not be welcomed by rural producers who face transport and infrastructure constraints which reduce the producer price. Other factors which merit analyses include land redistribution issues and the extent to which increased income will result in increased welfare and nutrition for consumers. Research and analysis under the proposed project will be available to assist decision makers and lobbying groups ascertain potential impacts of proposed reforms.

Recommendations from the Social Soundness Analysis for the PAAD are the following:

1. Process Approach Should be Taken - The social dimensions of these reforms require that the government is viewed as the "owner" of these reforms. If the private sector is not able to respond to the improved policy environment as quickly as hoped, there could be social and political reaction against further reforms. If the government reiterates its commitment to the program, there will be more chance of success.

To build local confidence and acceptance of private trade, the GOZ should be supported in developing a public relations policy. While a successful private sector response to the relaxing of restriction will be the ultimate confidence builder, a clear, consistent message from the government could only serve to support the program.

2. Assertive Actions to Support Infrastructure Requirement: Most importantly, Government should make a concerted effort to support the development of and expansion of a competitive system of rural grain trading and processing institutions. In addition to development of an attractive policy and regulatory enabling environment, key areas for government intervention are: rural

3. Women's Participation in Farming: Women are integrally involved in household to household trading and in the rural trade of vegetables. Opportunities for expanding these functions need further investigation.

### 9.3 Environmental Assessment

The project will provide research and analysis services to the Government of Zimbabwe and relevant private sector entities. A.I.D.-financed inputs will consist of research, project management services, audits and evaluation. Under the Environmental Procedures (22 CFR Part 216), detailed in Appendix 2D of A.I.D. Handbook 3, Section 216.2 (c) an Environmental Assessment or Environmental Impact Statement is not required if the action does not have an effect on the natural or physical environment. Furthermore, Section 216.2 (c) 2 sets forth classes of actions for categorical exclusion which include "education, or training programs except to the extent such programs include activities directly affecting the environment".

An Initial Environmental Examination which recommends a categorical exclusion is provided in ANNEX E to the PP.

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## SUMMARY

## OBJECTIVELY VERIFIABLE INDICATORS MEANS OF VERIFICATION

## MAJOR ASSUMPTIONS

GOAL: To develop the analytical framework required for effective implementation of the Economic Structural Adjustment Program

1. GOZ undertakes policy decisions related to rationalization of private sector.

Evaluation  
IBRD, IMF reports on ESAP implementation.

GOZ retains political will to implement ESAP.  
  
GOZ officials use relevant information.

PURPOSE: To provide research and analysis to support the implementation of grain marketing reforms in Zimbabwe.

## END OF PROJECT STATUS

1. Public sector decision makers are informed and use policy tool resulting from research.

Evaluation  
Local press

Grain marketing reform remains a priority with the GOZ.

2. Private sector leaders are informed and are influencing the public sector decision making process using results from research.

Local users recognize need for research and analysis.

3. Private sector groups and entities are using research results to make investment and business decisions.

## INDICATORS

## OUTPUTS:

1. Increased access to relevant research for private sector and public sector

1.a. Minimum of 10 studies/research projects completed annually during life of project.

Copies of Reports  
Contractor quarterly reports

1.b. Non-traditional users of research (such as millers, traders, credit institutions, transporters, approved buyers, the Commercial Farmers' Union, the National Farmers Association of Zimbabwe, and the Zimbabwe National Farmers Union, etc.) request a minimum of 5 studies annually.

Letters of request  
Project monitoring  
Contractor quarterly reports

SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
2. Increased information on impact of policy and non-policy issues related to grain marketing.	<p>2. a. Studies completed related to policy impact including:</p> <ul style="list-style-type: none"> <li>- Cost savings implications of selling grain at collection points</li> <li>- Impact of GOZ pricing policy (maize meal retail mark-ups)</li> <li>- Impact of sale of straight-run in retail size bags</li> <li>- Impact of transport permit system</li> <li>- Impact of price synchronization</li> </ul>	Copies of studies/research Evaluation	
	<p>2.b. Studies completed related to non-policy issues including:</p> <ul style="list-style-type: none"> <li>- Credit availability for traders, millers, transporters, etc.</li> <li>- Demand for local milling capacity,</li> <li>- Economic and financial analysis of small scale milling,</li> <li>- Incentives for increased on-farm storage,</li> <li>- Need for Market Information System</li> <li>- Consumer taste and expenditure preferences for varying classes of meal.</li> </ul>	Copies of studies/research Evaluation	
INPUTS	AID      GOZ      TOTAL	Copies of financial reports	AID funding and GOZ counterpart are available on a timely basis.
AID financed inputs			
Research Services	2,128    833      2,961		
Project Management	47                    47		
Evaluation	50                    50		
Audit	50                    50		
Contingency	225                   225		
TOTAL	2,500    833      3,333		

ACTION: AID-1  
INFO: DCM-1 AMB-1 ECON-1

ANNEX B  
Page 1 of 3

DISTRIBUTION: AID  
CHARGE: AID

VZCZCSB0872  
PP RUEHSB  
DE RUEHC #0487 2592137  
ZNR UUUUU ZZH  
P R 152137Z SEP 92  
FM SECSTATE WASHDC  
TO RUEHSB/AMEMBASSY HARARE PRIORITY 1798  
INFO RUEHSA/AMEMBASSY PRETORIA 6041  
BT  
UNCLAS STATE 300487

RECEIVED		
SEP 16 1002		
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CHRON		
RF		
DUE DATE		
ACTION TAKEN		
INITIALS DATE		

AIDAC, PRETORIA FOR RLA

E.O. 12356: N/A

TAGS:

SUBJECT: ZIMBABWE GRAIN MARKETING REFORM TECHNICAL ASSISTANCE PROJECT (613-0234)

REFS: (A) STATE 251889 (B) HARARE 09719

1. THE ZIMBABWE GRAIN MARKETING REFORM TECHNICAL ASSISTANCE PROJECT NPD WAS REVIEWED IN AID/W ON MAY 28 IN A PROJECT COMMITTEE MEETING CHAIRED BY AFR/SA WITH THE PARTICIPATION OF REPRESENTATIVES FROM AFR/SA, GC/AFR, AND AFR/ARTS. FURTHER DISCUSSION OF ISSUES OCCURRED JUNE 16 WITH THE PARTICIPATION OF AFR/SA, GC/AFR, AND PATRICIA BUCKLES, USAID/ZIMBABWE. GIVEN THE IMPORTANCE OF PROGRAM FOCUS AND THE LACK OF A CPSP FOR ZIMBABWE, THE PROJECT COMMITTEE RECOMMENDED THAT A FINAL DECISION ON PROGRAM CONCURRENCE BE MADE IN THE CONTEXT OF THE ABS REVIEW AND IF THE ABS REVIEW RESULTED IN PROGRAM CONCURRENCE, THE BUREAU ENVIRONMENTAL OFFICER (BEO) DELEGATE TO THE MISSION DIRECTOR AUTHORITY TO EXECUTE A CATEGORICAL WAIVER FOR THE IEE, WITH CONCURRENCE OF THE REGIONAL ENVIRONMENTAL OFFICER.

2. IN THE ABS REVIEW, CHAIRED BY THE AA/AFR AND ATTENDED BY THE DAA/AFR, ALL BUREAU OFFICES, AND POL, THE FOLLOWING

DECISIONS WERE MADE BY THE AA/AFR:

A. TO WAIVE THE REQUIREMENT FOR DEVELOPMENT OF A PID IN VIEW OF THE NEED FOR RAPID IMPLEMENTATION OF THE PROJECT BECAUSE OF THE SEVERE DROUGHT AND IN THE ABSENCE OF SIGNIFICANT POLICY ISSUES AFFECTING ITS IMPLEMENTATION.

B. TO PROVIDE PROGRAM CONCURRENCE FOR THIS PROJECT

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SUBJECT TO GUIDANCE PROVIDED IN PARA 4; AND

ANNEX B

Page 2 of 3

C. TO DELEGATE AUTHORITY TO THE MISSION DIRECTOR TO AUTHORIZE THE PROJECT PAPER (PP) PURSUANT TO HIS AUTHORITIES UNDER AND IN ACCORDANCE WITH ALL TERMS AND CONDITIONS OF DOA 551.

3. THE BUREAU ENVIRONMENTAL OFFICER HAS ALREADY POUCHED THE SIGNED IEE TO THE MISSION AND HAS FAXED AN ADDITIONAL COPY. THE CATEGORICAL EXCLUSION WAS GRANTED SUBJECT TO MISSION RESPONSE REGARDING GOZ MONITORING OF ENVIRONMENTAL INDICATORS, AS PER REF A. RECENT, PROMPT RESPONSE BY MISSION (REF B) CLARIFIED MOST OF THE QUESTIONS REGARDING MONITORING. BEO WOULD APPRECIATE MISSION COPYING REF B TO REDSO, C/O JOHN FLYNN, IN ORDER TO KEEP REGIONAL ENVIRONMENTAL OFFICER INFORMED.

4. THE FOLLOWING CONCERNS, RAISED BY THE PROJECT COMMITTEE, SHOULD BE CONSIDERED IN PP DEVELOPMENT:

A. THE PURPOSE STATEMENT AS GIVEN IN THE NPD - TO PROVIDE TECHNICAL ASSISTANCE TO THE GOZ - IS AN INPUT AND SHOULD BE CHANGED TO REFLECT WHAT THE MISSION IS TRYING TO ACHIEVE. THE COMMITTEE RECOMMENDED WORDING CLOSER TO THE

SPECIFIC POLICY AND REGULATORY REFORMS WHICH WILL (1) INCREASE HOUSEHOLD LEVEL ACCESS TO GRAIN IN DEFICIT AREAS, AND (2) REDUCE THE CONTRIBUTION OF DOMESTIC GRAIN TRADING LOSSES TO THE NATIONAL BUDGET DEFICIT.

B. RELATIONSHIP OF TA COMPONENT TO GRAIN MARKETING NPA: THE COMMITTEE WAS CONCERNED THAT THE TA COMPONENT MIGHT NOT BE VIABLE IN THE ABSENCE OF A FOLLOW-ON ACTIVITY TO THE GRAIN-MARKETING NPA PROJECT, ESPECIALLY SINCE THE NPA PROJECT WAS NEARING COMPLETION. MISSION REPRESENTATIVE, PATRICIA BUCKLES ASSURED THE GROUP THAT THE TA PROJECT WAS IMPORTANT ON ITS OWN, BOTH FOR HELPING THE GOZ IMPLEMENT REFORMS THAT WOULD MAKE FOOD MORE AVAILABLE DURING THE DROUGHT AND HELP ENSURE A MORE Viable AGRICULTURAL SYSTEM DURING RECOVERY AND TO CONSOLIDATE THE WORK OF THE NPA PROJECT.

5. THE ISSUE OF FOCUS AND CONCENTRATION WAS DISCUSSED AT THE NPD AND ABS REVIEWS. SINCE ZIMBABWE DOES NOT HAVE A CPSP, THE COMMITTEE COULD NOT CONSIDER HOW THE PROJECT FIT WITHIN THE STRATEGY. THE PROJECT COMMITTEE NOTED, HOWEVER, THAT THE MISSION WAS BEGINNING NEW PROJECTS IN SEVERAL AREAS, AN ACTION WHICH COULD LIMIT OPTIONS WHEN A CPSP IS DEVELOPED. THE COMMITTEE FELT THIS ISSUE COULD BEST BE RESOLVED IN THE CONTEXT OF THE ABS. AT THE ABS REVIEW, THE DAA DECIDED TO GIVE CONCURRENCE FOR THE PROJECT SINCE IT SUPPORTS DROUGHT EFFORTS AND IS A SMALL, TA ACTIVITY.

6. AA/AFR HEREBY WAIVES THE REQUIREMENT FOR A PID AND DELEGATES AUTHORITY TO THE DIRECTOR, USAID/ZIMBABWE, TO AUTHORIZE THE SUBJECT PROJECT IN THE ABSENCE OF A PID IN THE AMOUNT NOT TO EXCEED DO S 2.5 MILLION. THIS AD HOC DOA SHALL BE EXERCISED ON ALL TERMS AND CONDITIONS OF DOA 551 EXCEPT FOR THE REQUIREMENT FOR A PID. EAGLEBURGER  
BT  
#0487

NNNN

Reference 967457:721



ZIMBABWE

MINISTRY OF FINANCE, ECONOMIC  
PLANNING AND DEVELOPMENT  
Mushumutapa Building  
Samora Machel Avenue  
Harare

Telegrams: "MINFIN", Harare  
Telex: 2141  
Telephone: 722101/794571  
Private Bag 7705, Causeway  
Zimbabwe

*Log In  
Action 620*

Mr. T.D. Morse  
Director  
USAID/Zimbabwe  
1 Pascoe Avenue  
Belgravia  
HARARE

RECEIVED		September, 1992	
DIR		ACTION	INFO
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USAID/HARARE

Dear Mr. Morse,

**ZIMBABWE GRAIN MARKETING REFORM PROGRAMME : REQUEST  
FOR SUPPORT IN GRAIN MARKETING RESEARCH**

As you are aware, the Government is currently implementing a Grain Marketing Reform Programme with financial assistance from USAID.

As you are also aware, the present version of Program Implementation Letter No. 2 (PIL No. 2), contains a condition under item 5.1.8, requiring Government to prepare a medium term strategy for grain marketing reform. To facilitate the fulfilment of condition 5.1.8, Government prepared a plan for the development of a medium term strategy for grain marketing reform implementation. In that plan, the areas of research and analysis for developing the strategy were identified as follows: the role of the private sector; the evolving role of the Grain Marketing Board (GMB) including crop pricing and marketing regulation; and the effects of pricing and marketing policies on household food security and cushioning strategies.

I understand that you have discussed and reached agreement with the Ministry of Lands, Agriculture and Water Development on the implementation of a Grain Marketing Research project which will provide funding for local and international staff to assist Ministry of Lands, Agriculture and Water Development (MLAWD), Grain Marketing Board (GMB), other branches of Government and the private sector to promote the development of a low-cost grain marketing and processing system in Zimbabwe. The project will have a duration of approximately three years with grant assistance from the United States Government of US\$2,5 million.

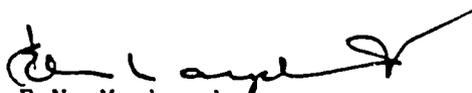
In support of this programme and in consideration of the contribution made by the United States Government, the Government of Zimbabwe will support this programme in local currency equivalent

to 25 per cent of total project cost (ie. US\$833 000).

The local currency amount will be in the form of counterpart funds generated from the Grain Marketing Reform Programme over the life of the project.

On behalf of the Government of Zimbabwe, I hereby formally request the Government of the United States of America to support this project. I hope the project will meet with your favourable consideration and that we will be signing the Project Grant Agreement soon.

Yours sincerely,



E.N. Mushayakarara  
SENIOR SECRETARY FOR FINANCE

ASSISTANCE CHECKLIST  
GRAIN MARKETING TECHNICAL ASSISTANCE SUPPORT PROGRAM  
(613-0234)

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts (FAA Sec. 601 (a)):** Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

1. a) No, the project does not directly affect trade.

1. b) The project will encourage increased private sector involvement in grain marketing and distribution.

1. c) The project does not directly involve coops, credit unions, and savings and loans except to the extent that they may provide credit for millers, traders or other participants.

1. d) The process of grain marketing reform seeks to reduce the monopolistic power of the Grain Marketing Board.

1. e) Technical efficiency will be increased as competition is increased.

1. f) The project will not address labor unions.

**2. U.S. Private Trade and Investment (FAA Sec. 601 (b)):** Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

2. The project is not targeted to assist U.S. private trade and investment. U.S. suppliers of technical assistance may be involved in the project.

**3. Congressional Notification**

**a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

3. a. The Congress will have been appropriately notified prior to obligation of funds for this Program.

**b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

3. b. N/A

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c. **Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b) (3))**: If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

4. **Engineering and Financial Plans (FAA Sec. 611 (a))**: Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

5. **Legislative Action (FAA Sec. 611 (a) (2))**: If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

3. c. N/A. This is not a cash transfer or Non Project Assistance Program.

4. a. Yes  
4. b. Yes

5. N/A. No legislative action is required for this program.

6. **Water Resources (FAA Sec. 611 (b); FY 1991 Appropriation Act Sec. 501):** If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

7. **Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575 (b)):** Will cash transfer of nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

8. **Capital Assistance (FAA Sec. 611 (e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

6. N/A. Appropriated funds will not be used for water or water-related land resource constructions.

7. N/A. Not a cash transfer or Non Project Assistance Program.

8. N/A. U.S. assistance will not be used to finance capital assistance. ..:

**9. Multiple Country Objectives (FAA Sec. 601 (a)):** Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

**10. U.S. Private Trade (FAA Sec. 601 (b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

**11. Local Currencies**

**a. Recipient Contributions (FAA Secs. 612 (b), 636 (h)):** Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

**b. U.S.-Owned Currency (FAA Sec. 612 (d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

9. N/A. Project does not have multiple country objectives. Refer to the answer provided under Question 1 above.

10. Refer to the answer provided under Question No. 2 above.

11. a. The host country will contribute the local currency equivalent of approximately \$833,000.

11. b. No

**c. Separate Account (FY 1991 Appropriations Act Sec. 575).**

If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

11. c.(1) N/A. Local currency will not be generated as a result of this project.

11. c.(2) N/A

11. c.(3) N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

11. c.(4) N/A

**12. Trade Restrictions**

**a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521 (a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

12. a. No.

**b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521 (c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to the third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

12. b. No.

**13. Tropical Forests (FY 1991 Appropriations Act Sec. 533 (c) (3)):** Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

13. No.

**14. PVO Assistance**

**a. Auditing and registration (FY 1991 Appropriations Act Sec. 522 (c) Sec. 537:** If assistance is being made available to a PVO, has that organization provided upon timely request any document, file or record necessary to the auditing requirements of A.I.D. and is the PVO registered with A.I.D.?

14. a. N/A. Assistance is not being made available to a PVO.

**b. Funding Sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"):** If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

14. b. N/A.

**15. Project Agreement Documentation (State Authorization Sec 139 (as interpreted by conference report)):** Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

15. This requirement will be satisfied after the execution of the project grant agreement.

16. **Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 516, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):** Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

16. Yes

17. **Women in Development (FY 1991 Appropriations Act Title II under heading "Women in Development"):** Will assistance be designed so that the percentage of women participants will be designed so that the percentage of women participants will be demonstrably increased?

17. Yes.

**18. Regional and Multilateral Assistance (FAA Sec. 209):** Is assistance more efficiently and effectively provided through regional and multilateral organizations? If so, why is assistance not provided? Information and conclusion on whether assistance will encourage developing countries to cooperate in regional development programs?

18. No. This project is not designed to encourage Zimbabwe to cooperate in regional development programs due to the country-specific nature of the problem and institutions being addressed.

**19. Abortions (FY 1992 Appropriations Act, Title II, under heading "Population DA" and Sec 525):**

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program or coercive abortion or involuntary sterilization?

19. a. No

b. Will any funds be used to lobby for abortion?

19. b. No

**20. Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

20. N/A. The project will not work with cooperatives.

**21. U.S.-Owned Foreign Currencies**

**a. Use of Currencies (Faa Secs 612(b), 636(h); FY 1991 Appropriations Act Secs. 507,509):** Describe steps taken to assure, that to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

21. a. N/A

**b. Release of Currencies (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country, and if so, what arrangements have been made for its release?

21. b. N/A

**22. Procurement**

**a. Small business (FAA Sec. 602 (a)):** Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

22. a. U.S. small businesses will be encouraged to participate to the maximum extent possible.

**b. U.S. procurement (FAA Sec. 604 (a)):** Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

22. b. All procurement will be from authorized sources for DFA funding.

**c. Marine insurance (FAA Sec. 604 (d)):** If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

22. c. Yes, if commodities are involved.

d. **Non-U.S. agricultural procurement (FAA Sec. 604 (e)):** If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

22. d. N/A. No non-U.S. procurement of agricultural commodity or product is envisioned.

e. **Construction or engineering services (FAA Sec. 604 (g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

22. e. N/A. No construction or engineering services will be required.

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901 (b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately from dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

22. f. No.

g. **Technical assistance (FAA Sec. 621 (a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without under interference with domestic programs?

22. g. Yes. The project does not contemplate using facilities and resources of other Federal agencies at this time.

h. **U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974):** If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

22. h. Yes

i. **Termination for convenience of the United States? (FY1991 Appropriations Act Sec. 504:)** If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

22. i. Yes

j. **Consulting services (FY 1991 Appropriations Act Sec. 524):** If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

22. j. Yes

k. **Metric conversion (Omnibus**

22. k. See response to No. 17

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**Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):** Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (Length, area, volume, capacity, mass and weight), through the implementation stage?

above.

**1. Competitive Selection Procedures (FAA Sec. 601 (e)):** Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

22. 1. Yes

**23. Construction**

**a. Capital project (FAA Sec. 601 (d)):** If capital (e.g., construction) project, will U.S. engineering and professional services be used?

23. a. N/A. This is not a capital project.

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b. **Construction contract (FAA Sec. 611 (c)):** If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

23. b. N/A

c. **Large projects, Congressional approval (FAA Sec. 620 (k)):** If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

23. c. No such construction is contemplated.

24. **U.S. Audit Rights (FAA Sec. 301 (d)):** If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

24. Yes

25. **Communist Assistance (FAA Sec. 620 (h)):** Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

25. Yes

26. **Narcotics**

a. **Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

26. a. Yes

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- b. **Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?
26. b. Yes
27. **Expropriation and Land Reform (FAA Sec. 620 (g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?
27. Yes
28. **Police and Prisons (FAA Sec. 660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
28. Yes
29. **CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities?
29. Yes
30. **Motor Vehicles (FAA Sec. 636 (i)):** Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
30. Yes

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31. **Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? 31. Yes
32. **Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? 32. Yes
33. **Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209 (d) (transfer of FAA funds to multilateral organizations for lending)? 33. Yes
34. **Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? 34. Yes
35. **Repression of Population (FY 1992 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? 35. Yes

36. **Publicity or Propaganda (FY 1991 Appropriations Act Sec. 516):** Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? 36. No.
37. **Marine Insurance (FY 1991 Appropriations Act Sec. 569):** Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? 37. Yes
38. **Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569):** Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? 38. No

**B. CRITERIA APPLICABLE TO  
DEVELOPMENT ASSISTANCE  
ONLY**

**1. Agricultural Exports  
(Bumpers Amendment) (FY 1991  
Appropriations Act Sec. 521  
(b), as interpreted by  
conference report for original  
enactment):** If assistance is  
for agricultural development  
activities (specifically, any  
testing or breeding feasibility  
study, variety improvement or  
introduction, consultancy,  
publication, conference, or  
training), are such activities:  
(1) specifically and  
principally designed to  
increase agricultural exports  
by the host country to a  
country other than the United  
States, where the export would  
lead to direct competition in  
that third country with exports  
of a similar commodity grown or  
produced in the United States,  
and can the activities  
reasonably be expected to cause  
substantial injury to U.S.  
exporters of a similar  
agricultural commodity; or (2)  
in support of research that is  
intended primarily to benefit  
U.S. producers?

1. (1) No.  
1. (2) No.

**2. Tied Aid Credits (FY 1991  
Appropriations Act, Title II,  
under heading "Economic Support  
Fund"):** Will DA funds be used  
for tied aid credits?

2. No.

**3. Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

**4. Indigenous Needs and Resources (FAA Sec. 281 (b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

**5. Economic Development (FAA Sec. 101 (a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

**6. Special Development Emphases (FAA Secs. 102 (b), 113, 281 (a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in

3. No. Appropriate technology and technology transfer are not specific objectives of the project.

4. The Project will use local talent to provide the requisite technical assistance to the extent possible. The project seeks to increase governmental and private sector capacity to carry out informed analysis and decision-making.

5. Yes.

6. (a) Through increase private sector participation and removal of barriers to entry for small scale millers, traders, and transporters, the project will involved the poor. (b) No particular project activities will address this. (c) The project directly supports Zimbabwe's major self-help effort of an Economic Structural Adjustment Program. (d) Women will benefit equally from improvements in food

the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

**7. Recipient Country Contribution (FAA Secs. 110, 124 (d)):** Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

**8. Benefit to Poor Majority (FAA Sec. 128 (b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

security, distribution and marketing.

(e) Regional cooperation is not a focus of this project.

7. Yes.

8. Yes

**9. Abortions (FAA Sec. 104 (f); FY 1992 Appropriations Act, Title II, under heading "Population, DA" and Sec. 535):**

- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? 9. a. No
- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? 9. b. No
- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? 9. c. No
- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? 9. d. No
- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? 9. e. No

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

9. f. No

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

9. g. No

10. **Contract Awards (FAA Sec. 601 (e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

10. Yes

11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

11. A set-aside for Gray Amendment firms is not contemplated due to the requirement for large local participation. However, USAID will encourage inclusion of Gray Amendment firms in the planned contract to the maximum extent possible.

**12. Biological Diversity (FAA Sec. 119 (g):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

12. (a) through (d): No

**13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533 (c) - (e) & (g)):**

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

13. a. Yes

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b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative

13. b. N/A. The project does not deal with conservation and sustainable management of tropical forests.

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network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

13. c. (1)-(6) No.

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1. Sustainable Forestry: If assistance related to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

13. d. N/A.

a. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117 (c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

13. e. N/A.

14. Energy (FY 1991 Appropriations Act Sec. 533 (c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

14. Project does not relate to energy.

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote

15. (a) Yes.

15. (b) Yes.

15. (c) Yes.

15. (d) No local focus anticipated.

15. (e) Yes.

15. (f) Yes.

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sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

**16. Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's

16. The project does not contemplate a debt-for-nature exchange at this time.

oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote; (d) natural resources management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

**17. Deobligation/  
Reobligation (FY 1991  
Appropriations Act Sec. 515):**

If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

**18. Loans**

**a. Repayment capacity (FAA Sec. 122 (b)):** Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

**b. Long-range plans (FAA Sec. 122 (b)):** Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

17. Use of deob-reob is not envisioned at this time.

18. a. through d. - This is not a loan project.

c. **Interest rate (FAA Sec. 122 (b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States (FAA Sec. 620 (d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

**19. Development Objectives (FAA Sec. 102 (a), 11,113, 281 (a)):** Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

19. See response to Question No. 6 above.

**20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A)**

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

20. a. Assistance is for implementation of agricultural policy reform.

20. b. The improved distribution systems and marketing channels under complementary reform measures will help reduce food deficits in rural areas.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

21. **Population and Health** (FAA Secs. 104 (b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

20. c. The project supports implementation of improved food security policies and measures.

21. Assistance in not being made available for population of health activities. N/A

**22. Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

**23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

22. Assistance is not being made available for education, public administration or human resource development. N/A

23. a. Energy is not a focus of this project. N/A

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations; 23. b. N/A.

c. research into, and evaluation of, economic development processes and techniques; 23. c. N/A.

d. reconstruction after natural or manmade disaster and programs of disaster preparedness; 23. d. N/A.

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; 23. e. N/A.

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development. 23. f. N/A.

**C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY**

**1. Economic and Political Stability (FAA Sec. 531(a)):** 1. N/A  
Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. **Military Purposes (FAA Sec. 531(b)):** Will this assistance be used for military or paramilitary purposes? 2. No.
3. **Commodity Grants/Separate Accounts (FAA Sec. 609):** If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of the FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a) (5).) 3. N/A
4. **Generation and Use of Local Currencies (FAA Sec. 531(d)):** Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec 575(a), see Sec. 575(a) (5).) 4. N/A
5. **Cash Transfer Requirements (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)).** If assistance is in the form of a cash transfer:

a. **Separate Account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? N/A 5. a. N/A

b. **Local Currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with the government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? 5. b. N/A

c. **U.S. Government of local currencies:** Will all such local currencies also be used in accordance with FAA Section 609, which required such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which required the remainder to be used for programs agreed to by the U.S. Government to carry out the purposed for which new funds authorized by the FAA would themselves be available? 5. c. N/A

d. **Congressional Notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

5. d. N/A

FOR Mission ENVIRONMENTAL

INITIAL ENVIRONMENTAL EVALUATION

I. Project Data

ANNEX E

Page 1 of 6

Project Location : Zimbabwe

Project Title : Zimbabwe Grain Marketing Technical Assistance Project (G18-0284)

Funding : US\$2.5 million

Life of Project (PAOD) : 3 Years

IEE Prepared By : Charles Scheibel *CS*  
Mission Environmental Officer

Environmental Action Recommended : Categorical Exclusion

Concurrence : *Ted Moore*  
Ted Moore, Director

Date : *July 14, 1992*

Clearances:  
Donald Keene, RIA/Southern Africa  
Bob Rose, REDSO/ESA

Date: *10/9/92*  
Date: *Draw (June 2, 92) Final 7/16/92*

Review by Bureau Environmental Officer

Concur : *[Signature]*

Request Reconsideration :

Signature : *[Signature]*

Name : *S. G. NOFT*

Date : *7/17/92*

GC/AFR: *[Signature]* Date: *7/30/92*

## II. PROJECT GOAL AND PURPOSE:

The project purpose is to provide technical assistance to support implementation of the Grain Marketing Reform Program. This will support a larger development goal which is to develop the analytical framework required for effective implementation of the Government of Zimbabwe's Economic Structural Adjustment Program.

## III. PROJECT PROBLEM:

The GOZ is implementing a sweeping Economic Structural Adjustment Program based on an export oriented economy. This program includes rationalizing the operations of government controlled enterprises and reducing the budget deficits created by these entities. As part of this program the GOZ is seeking to reform the operations of the Grain Marketing Board, the public sector entity charged with the collection and marketing of all grains. In 1991, USAID supported these changes with a \$5.0 million NPA cash transfer program. However, the government does not have the requisite analytical capacity to undertake studies and research which are essential to effective implementation of its program. The GOZ needs to identify and implement short and medium term specific actions which are necessary to achieve ESAP goals, the policy changes that are needed to facilitate the actions, and the structural changes in each sector that will have to be achieved. Private sector groups and firms will play a key role in transforming the grain sector. These groups also lack the research and analytical underpinnings required for sound business operations in the changing environment.

## IV. PROJECT OUTLINE AND STRATEGY

The Grain Marketing Technical Assistance Project will provide key governmental and private sector decision makers with access to relevant technical expertise related to a market-based system for grain marketing. The project will work with GOZ officials in the Ministry of Lands, Agriculture and Rural Resettlement (MLARR), the Grain Marketing Board (GMB), and the Ministry of Finance, Economic Planning, and Development (MFEPD). In addition, private sector entities such as millers, traders, credit institutions, transporters, approved buyers, the Commercial Farmers' Union, the National Farmers' Association of Zimbabwe, and the Zimbabwe National Farmers' Union will have access to technical expertise, reports, and studies through the project.

Technical assistance will be provided through an institutional contractor who will draw on a pool of experts including agronomists, economists, social scientists, etc. The following list presents illustrative topics that the technical assistance team will examine:

- Analysis of cost-saving implications of selling grain at GMB collection points.
- Analysis of the impact of Government pricing policy with regard to maize meal retail mark-ups on the distribution of more expensive meal.

- Analysis of the impact of Government authorization for the manufacture of straight-run meal for sale in convenient retail bag sizes.
- Assessment of the impact of the permit system on transporter entry into grain marketing.
- Assessment of probable impacts of removing movement controls in Natural Regions I, II, and III.
- Analysis of the synchronization of producer, wholesale, and retail price gazettement for grains.
- Analysis to determine if grain supplies at GMB collection points are sufficient to meet local demand.
- Analysis of the costs and benefits associated with alternative pricing and marketing policies for maize meal.

In the area of non-policy analysis the contractor will:

- Analyze the needs of traders in the areas of transport, capital formation, availability of credit, infrastructure, market information, and other factors with respect to grain marketing.
- Carry out a needs assessment for the establishment of local grain processing capacity in deficit zones in terms of capital formation, availability of credit, technology, market information, and other factors which may affect increasing grain processing capacity.
- Economic and financial analysis of small scale milling.
- Analyze the needs of transporters in terms of vehicles, roads, capital formation, availability of credit, and other non-policy factors which may hinder increased transportation of grain.
- Analyze constraints and possible incentives for increased on-farm storage of grain or incentives for traders to increase storage of grain.
- Analyze the need for a Market Information System as a necessary investment to assist in the development of private sector grain marketing.

- Analyze the GMB to determine the inputs needed to transform it from a grain storage and distribution institution to a viable commercial grain trading institution comparable to international grain trading organizations.
- Economic and financial analysis of privatizing GMB bag and silo depots.

This is an illustrative list of tasks only. The contractor will have the capability to access additional disciplines including environmental scientists to assess impact of changes in production in response to policy changes. In addition, USAID Zimbabwe has in place a separate contract which is devoted to the monitoring and evaluation of impacts of the policy reform program. These two vehicles will provide the technical support and expertise needed to adequately monitor the environmental aspects of the technical assistance and policy reform programs.

In addition to providing funding to conduct the analyses noted above, the project will finance a local S.I.D. Project Manager and will provide funding for audits and evaluations.

#### V. ENVIRONMENTAL ACTION RECOMMENDED:

The project will provide technical assistance services to the Government of Zimbabwe and relevant private sector entities. AID financed inputs will consist of technical assistance, project management services, audits and evaluations. Part 216.2 (c) (2) sets forth classes of actions for categorical exclusion which include "education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment". Based upon 22 CFR Part 216.3 (a) (2) (iii), this project is recommended for a categorical exclusion as it will "not have an significant impact on the environment."

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APPLICATION TO ANALYTICAL OBJECTIVES OF AFR/ARTS/FARA.

5. IN ADDITION TO THE PERSPECTIVES RAISED IN REF A, PARA 2, OTHER ENVIRONMENTAL EXTERNALITIES WHICH OUGHT TO BE CONSIDERED BY THOSE ASSESSING POSSIBLE IMPACTS WOULD INCLUDE:

(A) HAVE QUARANTINABLE PESTS BEEN CONSIDERED IN THE MOVEMENT OF GRAIN DOMESTICALLY, REGIONALLY, INTERNATIONALLY (INTO AND OUT OF THE COUNTRY)? THIS IS AN ISSUE WITH OFTEN-OVERLOOKED SERIOUS IMPLICATIONS FOR SUSTAINABLE MARKET DEVELOPMENT.

(B) WHAT SORT OF PUBLIC AND PRIVATE SECTOR INFRASTRUCTURE EXISTS TO DEAL WITH POSSIBLE INCREASES IN USES OF PESTICIDES TO PROTECT STORED GRAINS AND RELATED FOOD PRODUCTS?

6. ACTION REQUESTED: PLEASE VERIFY SPECIFICALLY IN A REPLY CABLE THAT THE QUESTIONS OF THE SORT RAISED FOR THE NPA PAAD (613-0233) IN REF A AND IN PARA 5 ABOVE ARE MEANT TO BE ADDRESSED THROUGH THE MECHANISMS SPECIFIED IN THE SUBJECT IEE, AS DISCUSSED IN PARA 4 ABOVE. ALSO, PLEASE SEND INFORMATION ON THE SEPARATE M&E CONTRACT. THANK YOU.

7. GC/AFR HAS CLEARED THIS CABLE. EAGLEBURGER  
BT  
#1889

NNNN

## Gray Amendment Considerations

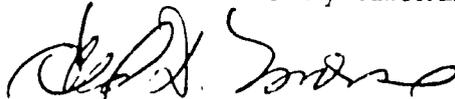
The Gray Amendment (Section 579 of P.L. 101-167, the Foreign Operations Export Financing and Related Programs Appropriation Act, 1990) requires A.I.D. to ensure participation in AID projects by business concerns which are owned and controlled by socially and economically disadvantaged individuals, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic American, and private voluntary organizations which are controlled by individuals who are socially and economically disadvantaged, including women, (referred to herein as Gray Amendment entities).

The requirements of AIDAR Notice 90-2, implementing section 579 of the Foreign Assistance Appropriations Act requires that for any contract in excess of \$500,000 (except for a contract with a disadvantaged enterprise) not less than 10 percent of the dollar value of the contract must be subcontracted to Gray Amendment entities, unless the contracting officer certifies that there is no realistic expectation of U.S. subcontracting opportunities or unless the Administrator approves an exception. This provision applies to "buy-ins" as well as project specific contracts.

## Certification

Elements of the project are appropriate for minority or Gray Amendment organization contracting. The procurement plan of this project has been developed with full consideration of maximally involving Gray Amendment organizations in the provision of required goods and services. The Mission will make every effort to identify disadvantaged enterprises, particularly women and minority-owned firms, which can handle studies and analyses planned in the project. Where possible, qualified Gray Amendment firms will be given considerations for direct contracting as well as in consideration of the buy-in option for services required.

Furthermore, the Mission will in the case of any contract in excess of \$500,000 funded from amounts covered by the Gray Amendment include a provision requiring that no less than ten percent of the dollar value of the contract be subcontracted to Gray Amendment entities unless the Contracting Officer certifies that there is no realistic expectation of U.S. subcontracting opportunities, or unless the prime contractor is a Gray Amendment entity.



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Ted D. Morse, Director

September 18, 1992

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Date