

PD-ABK-128
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MOZAMBIQUE
DEMOBILIZATION/
REINTEGRATION SUPPORT
656-0235
PROJECT PAPER
AMENDMENT #1
SEPTEMBER 1994

PD ABK-128

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add C = Change D = Delete	Amendment Number <u>1</u>	DOCUMENT CODE 3
2. COUNTRY/ENTITY Mozambique		3. PROJECT NUMBER 656-0235		
4. BUREAU/OFFICE Africa		5. PROJECT TITLE (maximum 40 characters) Denobilization/Reintegration Support		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 96		7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 93 B. Quarter 3 C. Final FY 95		

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 93			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AM Appropriated Total						
(Grant)	(15,000)	()	(15,000)	(25,100)	()	(25,100)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	15,000		15,000	25,100		25,100

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	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) ADA	930			15,000		0		15,000	0
(2) DFA	930					5,100		5,100	0
(3) IDA	930					5,000		5,000	0
(4)									
TOTALS				15,000		10,100		25,100	0

10. SECONDARY TECHNICAL CODES (maximum 15 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To support those immediate relief and rehabilitation needs necessary the implementation of the Mozambique Peace Accords.

14. SCHEDULED EVALUATIONS

Interim MM YY 10 94 MM YY 06 95 Final MM YY 12 95

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page FP Amendment.)

This amendment adds funds for the continued support to mine clearance and to assist with the social and economic reintegration of ex-combatants. Method of Implementation will be through Direct USAID contracts or grants with Public International Organizations. Funds for Financial Audits have been budgeted.

17. APPROVED BY

Signature: *Roger D. Carlson*
Name: **Roger D. Carlson**
Title: **Mission Director**

Date Signed: MM DD YY 09 30 94

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY 11 14 94

George Jenkins, Controller *9/30/94*

Action Memorandum for the Mission Director


From: Timothy Born, DRSP Project Officer
Subject: Project Authorization Amendment and Approval of a Project Paper Supplement, Demobilization/Reintegration Support Project, 656-0235

Problem:

Your approval is required of a Project Authorization Amendment and a Project Paper Supplement, in order to increase the LOP funding for the Demobilization/Reintegration Support Project (DRSP) from \$15,000,000 to \$25,100,000. USAID intends to increase the original obligation for this project, \$15,000,000 from the Africa Disaster Assistance (ADA) account, by \$5 million in International Disaster Assistance (IDA) funds that have been transferred from the Department of Defense (DoD) under the Economy Act; and \$5.1 million from the Development Fund for Africa (DFA) account. The addition of DFA funds makes the project subject to the design requirements of USAID regulations under FAA Section 611. The Project Paper Supplement discusses the social and economic impact of the project and includes an Initial Environmental Examination (IEE). Of the \$10,100,000 increase, \$8,600,000 will be obligated in FY 1994 with the balance of \$1,500,000 planned for an FY 1995 obligation.

Background and Approach:

The project was authorized by you on April 8, 1993, with a two-year, \$15,000,000, LOP. The original project contributed to 'Phase 1' of demobilization; the processing of soldiers through assembly areas, their demobilization, and their transport home. It also provided funding for the immediate demining of priority roads that were severely constraining the movement of refugees, displaced persons and the demobilized. At present, all but a few of the 87,000 soldiers from both sides have registered and most have been demobilized; it is expected that only a small number -- perhaps 10,000 -- will enter the new army, leaving 77,000 to enter civilian life. In addition to these, another 13,776 soldiers who were officially demobilized before the General Peace Agreement (GPA) was signed on October 4, 1992, but transported home in 1993, are eligible for the package of benefits the others are getting. By the end of September, a month before the elections, the last of the ex-soldiers should be transported home. Phase 1 of demobilization cost approximately \$56 million (including a USAID contribution of \$10 million) and has been fully funded.

The donors as a group were initially skeptical of follow-on programs to assist the ex-soldiers after their return to their civilian communities; the view that no special programs for the demobilized should be funded prevailed at the January, 1993 Rome Conference and, to a lesser extent, at its June, 1993 sequel in Maputo. At the time, the donors argued on moral and developmental grounds that programs should address the needs of the entire displaced population

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-- estimated at about six million refugees, internally displaced, and demobilized (plus families). This attitude shifted considerably during the year, partly because of the realization that unless the special needs of the soldiers and their families were met, they would become a serious threat to post-war civil society and also because new work on demobilization experience in other countries showed that some reintegration programs are critical to a peaceful transition. It is now generally accepted that a short-term effort must be made to provide ex-combatants with some basic livelihood and a better chance for full reintegration into economic and social life. Based on this, the donors as a group, under the direction of the Commission for Reintegration (CORE) have agreed to four programs, all of which last approximately 18 months, as follows:

The Reintegration Support Scheme (RSS) provides for payments of slightly below the minimum wage to all demobilized for 18 months, beginning during their fourth month home after an initial government stipend ends. While the main purpose of the program has been to buy time, it has had the unintended consequence of discouraging soldiers from entering the new army, which will probably emerge from elections at under 10,000 men rather than at the 30,000 stipulated in the Peace Agreement. The cost of this program was originally estimated at \$22 million, but is now expected to rise by \$8 million with the increase in the number of demobilized. USAID has not participated in funding this endeavor and will not do so.

The Information and Referral Service (IRS), thus far funded largely by USAID, provides a grant to the International Organization for Migration (IOM) to establish and maintain centers in every province to deal with the returned soldiers on a day-to-day basis. The four main functions of the IRS are: (a) to help the ex-soldiers solve problems related to their demobilization (e.g. lost demobilization cards and changes of payment address for RSS); (b) the mapping in each province of employment and training opportunities and the referral of the soldiers to these opportunities; (c) the administration of a provincial fund, described below; and (d) to implement the small ILO-managed Occupational Skills Development (OSD) Program. The cost of the IRS program, which ends in December, 1995, is estimated at \$6 million. USAID contributed \$1,750,000 in April, 1994.

The Provincial Fund (PF) will make available a quick-disbursing fund to the IRS for small projects aimed at the social and economic reintegration of the soldiers. These will include support to apprenticeships with local businesses, rehabilitation of local infrastructure, assistance in obtaining drivers' or other licenses, and on-the-job training opportunities. While the IRS offices will oversee and make the grants, they will be implemented by businesses, community groups, and NGOs already working in the areas of return. Several donors, including USAID, will contribute to the fund, which was officially approved by CORE on August 5, 1994. USAID, Germany, Italy, and Canada will contribute a minimum of \$4 million, with additional contributions likely once the program is working.

Finally, the Occupational Skills Development (OSD) program has identified about 40 training institutions that have been deemed capable of providing instruction in areas likely to lead to employment. While OSD will pay for the training, the IRS will arrange it for individual soldiers. The approximate cost of this program is \$3,000,000. USAID is not funding this activity.

Program Description:

The goal and purpose descriptions remain as stated in the original project paper and authorization:

The goal of the project is the successful transition of Mozambique from war to peace. The purpose is to support those immediate relief and rehabilitation actions necessary for the implementation of the Mozambique Peace Agreement. The supplement adds to the original inputs -- the transport home of the demobilized and their dependents, mine clearance of priority roads, and health services and essential goods for the assembly areas (AAs) -- activities in support of the reintegration of the ex-combatants into civilian life and further mine clearance. The main reintegration activities are further support to an Information and Referral Service, with offices in every province and to a Provincial Fund that will be able to quickly respond to opportunities for social and economic reintegration of the soldiers. While the original program activities were ADA-funded and had, with the exception of mine clearance, only indirect longer term impacts, the IRS and PF, which are to be funded from the DFA, will directly contribute to longer term economic growth and the development of civil society. In addition to these reinforced and new elements, the supplement adds \$5 million for the demining of an additional 2,500 or more kilometers of road, as well as for support to creating a Mozambican capacity for addressing the longer term problem of landmines.

The primary aim of the additional assistance is to support the peaceful and productive reintegration of approximately 90,000 soldiers and their estimated 100,000 dependents into civilian life. This will be achieved by the three major and inter-related programs that have been developed by CORE; the RSS, IRS and Provincial Fund. The fourth smaller program, the OSD, is to complement the provincial fund. The project budget, including ADA funds, the DoD transfer for mine clearance, and DFA resources are as follows:

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Line Item	Original PP	This Amendment	Total Authorization
Transport, grant to IOM	6,000,000	(1,000,000)	5,000,000
Mine Clearance:			
ADA Funding	4,500,000	(150,000)	4,350,000
DoD Funding	0	5,000,000	5,000,000
Evaluation, Audit, Research & Management	1,000,000	500,000	1,500,000
Essential items for demobilization & reintegration	750,000	0	750,000
NGO/PIO (health, vulnerable groups)	1,000,000	(250,000)	750,000
Information & Referral Services	1,750,000	4,000,000	5,750,000
Provincial Fund	0	2,000,000	2,000,000
TOTAL AUTHORIZATION	15,000,000	10,100,000	25,100,000

Obligation History:

1. Direct Grant to IOM, April 8, 1993:	\$2,000,000
2. Limited Scope Grant Agreement, June 2, 1993:	\$13,000,000
3. FY 1994 LSGA:	\$8,600,000
TOTAL OBLIGATION THROUGH FY 1994:	\$23,600,000
TOTAL LIMITED SCOPE GRANT AGREEMENT THROUGH FY 1994:	\$21,600,000

¹This amendment obligates \$5,000,000 in funds transferred from the Department of Defense (DoD) to USAID for activities to support mine clearance for humanitarian purposes and transfers \$150,000 in previously obligated funds to the IRS and Provincial Fund line items.

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The sources of funding are as follows:

- ADA: \$15,000,000, first numeric column in above table.
- DoD: \$ 5,000,000, additional funds for mine clearance.
- DFA: \$ 5,100,000, for Provincial Fund and IRS, grant to the IOM, of which \$3,600,000 is being obligated in FY94 with the remaining \$1,500,000 planned for FY1995.

All of the programs supported by USAID for mine clearance, demobilization and reintegration are multi-donor efforts. The overall budget and contributions for "Phase 1" were discussed in the original project paper. The Provincial Fund/IRS has tentatively secured initial funding from other donors, as follows:

- Germany: \$3.4 million
- Canada: \$0.6 million
- Italy: \$1.5 million

The total planned funding for the reintegration of the demobilized is as follows:

- RSS: \$22.0 million
- OSD: \$ 3.0 million
- PF: \$ 5.5 million
- IRS: \$ 4.3 million
- TOTAL \$34.8 million

In addition, the GRM is providing approximately \$20 million for the payment of a re-establishment allowance equivalent to six months of the ex-soldiers' military salary.

USAID Project Management

Activities related to demobilization and demining are developed, approved and monitored by an inter-agency task force chaired by USAID and including the defense attaché, USIS public affairs officer, and Embassy political counselor as well as officers from other USAID divisions. Day-to-day implementation is under the Project Design and Management Office.

Other Issues

1. Environmental considerations.

For ADA funds, these were discussed in the original project documentation. The DFA Grant to the IOM, a public international organization, qualifies for a categorical exclusion, while for mine clearance a negative determination was prepared. The Bureau Environmental Officer approved your recommendation of a negative determination for demining and a categorical exclusion for the IRS/Provincial Fund on August 24, 1994 (Annex 5).

2. Notification to Congress

A Congressional Notification of our intent to obligate \$1.1 million in DFA funds for reintegration cleared on May 4, 1994. A Congressional Notification of our intent to obligate an additional \$4 million in DFA cleared on August 25, 1994. The DoD funds did not require notification to Congress by USAID. 1994 State 123126 and State 234881 reported that the notifications had cleared.

3. Conditions for Use of a Public International Organization (PIO)

The DFA funds will be used entirely for a grant to the IOM, a PIO. The following conditions (Handbook 13, Chapter 5) have been met:

- a. Support for a PIO's project or activity (either an expansion of its current program or the initiation of a new program activity) is considered to be more effective and efficient than direct USAID assistance in achieving a particular development assistance or disaster relief objective;
- b. The program and objectives of the PIO are compatible with those of USAID;
- c. There is no reason to consider the PIO not responsible; and
- d. Grants are made for specific projects or activities of interest to USAID and not for augmentation of a PIO's operating budget, nor for activities for which the U.S. is making a voluntary contribution under Chapter 3 of the Foreign Assistance Act.

The IOM has assisted the resettlement of refugees and migrants since just after World War II, all over the world. The organization has demonstrated its capacity to perform in Mozambique over the past two years.

4. Project Analyses

Since this is an extension of an on-going project, albeit with DFA funding added to what was an ADA program, the project analyses have been limited to the following:

- (a) A brief economic analysis discussing the general project context. The major program benefit -- increased security in local communities -- is very difficult to measure.
- (b) A core analysis focusing on social soundness and describing the approach to be used under the provincial fund to assist in the reintegration of the soldiers.
- (c) The IOM's approach to sub-project identification and selection, with examples of model projects (Annex 2).

The analyses apply primarily to the DFA-funded portion of the Grant, which is being used in its entirety for the Provincial Fund and Information and Referral Services components of the project.

6. Evaluation and Monitoring

The project will be evaluated near start-up, in October 1994, to review performance to date and to advise the IOM on how to best structure its field offices to carry out the task of implementing the IRS and Provincial Fund. A further evaluation will take place in late 1995, at the end of the project, to try to distill the Mozambique experience for use elsewhere. There will also be a mid-project review, in June 1995, of some of the activities under the Provincial Fund, with a view to determining what sort of small project has been successful and what has not. Regular project monitoring will consist of monthly field visits by USAID staff and review by the task force of IOM's monthly reports. These reports track qualitative and quantitative indicators of project impact.

7. A Task Force meeting was held on September 12 to review the IOM Grant proposal. The following issues were raised and resolved:

Issue: Has USAID retained adequate controls over project selection, audit of beneficiaries, evaluation and monitoring?

Response: The Grant has been modified in the following ways: (a) USAID will approve the distribution of funds among provinces; (b) a joint evaluation of small projects will be undertaken within nine months of the signing of the Grant for the Provincial Fund; (c) the Grant will include various levels of financial accountability to be applied to sub-Grantees according to the total cost of each individual sub-Grant; and (d) the IOM may audit some larger grant recipients.

Issue: Are USAID controls adequate to ensure that funds are safeguarded and that program activities are proceeding as planned?

Resolution: Since this is a Grant to a PIO, the degree of USAID control is limited. Project monitoring and evaluation will, however, be carried out through the following measures: (1) IOM will provide a monthly report covering both quantitative and qualitative indicators of IRS and Provincial Fund progress and performance; (2) an evaluation of Provincial Fund grants will take place in June, 1995, to determine what types of small projects work; (3) USAID will conduct field visits approximately monthly during the life of the project; and (4) USAID will participate in meetings of the Project Management Unit (established by UNOHAC to oversee all four reintegration activities), initially through the USAID-funded PSC assigned to UNOHAC and later through other project management staff.

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Issue: To what extent is other donor participation in the Provincial Fund ensured?

Resolution: The GTZ and Canadian contributions are in place, but the Italian funds have still not been released. The Fund can and should begin activities without the full contributions, and its success does not depend on the \$1.5 million from Italy.

Issue: If the average cost per beneficiary is \$250, as stated in the Grant proposal, and the total available for the Provincial Fund is \$4,000,000, then a maximum of 16,000 ex-combatants will directly benefit from the program. Is this enough to achieve the Fund's purpose of contributing to peace and stability?

Discussion: The Provincial Fund is to assist in reintegrating soldiers where reintegration does not occur naturally or easily. Of the approximately 90,000 demobilized, 50 per cent, or 45,000, are expected to return to agriculture, and will not require programs beyond those available through other mechanisms to the general population. A further 10,000 may benefit from the OSD program, leaving 35,000. Of these, some unknown number will reintegrate into civil society without recourse to the Fund. The Fund should therefore be able to assist up to 50 percent of the target group directly, and many more indirectly. At the same time, programs that cost less per beneficiary, or appear to offer better long-term reintegration prospects, will be favored over others.

Issue: What safeguards will be taken to ensure that the Provincial Fund, or at least the part of it financed by USAID, will not be allocated on a political basis, both at the local level and among provinces?

Discussion: USAID will reserve the right to approve the distribution among provinces. The IRSs have international IOM staff, whose susceptibility to political and personal pressures will be limited by their responsibility for carrying out the program successfully.

7. Host Country Contribution

The requirement of FAA Section 110(a) that the recipient host country contribute 25% of the project's funding was waived by the AA/AFR on September 16, 1994.

8. Recommendations

That, under the authority granted you by DOA 551, you : 1) authorize an increase in funding for the Demobilization/Reintegration Support Project by \$10,100,000, from \$15,000,000 to a new total of \$25,100,000, by signing below and the attached Authorization Amendment; and, 2) Approve an extension of the project PACD to September 30, 1996, by signing below.

Approved: 

Disapproved: _____

Date: 9-30-94

Clearance: MAlexander, RLA: 9/12/94 fax
JSmith, DD: JES 9/30/94
CNorth, PRM: _____
GJenkins, CONT: 9/30/94
SBliss, PDM: 10/1/94

AMENDMENT NO. 1 TO
PROJECT AUTHORIZATION

Cooperating country: Republic of Mozambique
Project Title: Demobilization/Reintegration Support Project
Project Number: 656-0235

Pursuant to the Foreign Assistance Act of 1961, as amended, to the Memorandum Agreement signed between the Department of Defense and USAID on August 29, 1994, and to A.I.D. Delegation of Authority 551, as amended, I hereby amend the Authorization of the Demobilization/ Reintegration Support Project for the Republic of Mozambique, initially authorized on April 8, 1993.

Delete paragraph 1 in its entirety and substitute the following:

"1. Pursuant to the Foreign Assistance Act of 1961, as amended, the Memorandum of Agreement between USAID and the Department of Defense dated August 29, 1994, and A.I.D. Delegation of Authority 551, as amended, I hereby authorize the Demobilization/ Reintegration Support Project ("Project") for the Republic of Mozambique, involving planned obligations not to exceed twenty five million and one hundred United States dollars (\$25,100,000) in grant funds over a three and one half year period from the date of authorization, subject to the availability of funds in accordance with the USAID/OYB allotment process, to help in financing the foreign exchange and local currency costs for the Project. Except as USAID may otherwise agree in writing, the planned life of the Project is three years and four months from the date of initial obligation."

Excepted as herein modified, the Authorization remains unchanged and in full force and effect.



Roger D. Carlson
Director, USAID/Mozambique

Date: 9-30-94

Clearances: TBorn ^{TB}
CNorth ^{TC}
GJenkins ^{J 9/30/94}
Drafted by: MAlexander, RLA, 6/23/94

Demobilization/Reintegration Support Project Amended Project Description

1. Rationale for Project Amendment

Problem Statement

On October 4, 1992, the Government of Mozambique and RENAMO signed the General Peace Agreement (GPA) bringing to an end a civil war that had raged for 16 years. During that period, 6,000,000 Mozambicans (nearly half the population) were forced from rural areas to the towns or neighboring countries, a million were killed, all major internal transport routes were closed or at least rendered very dangerous, and a significant proportion of the Government's resources were consumed in maintaining and equipping the defense forces. Concurrent with its prosecution of the war, the Government undertook, beginning in 1986, to move from a centrally planned Marxist-Leninist economy to much greater reliance on a free market. While significant progress has been made with visible results, particularly in urban areas, the levels of investment and growth anticipated have not been achieved, and will not be unless peace and stability are consolidated.

USAID has been a major contributor to the peace process since October 1992, with assistance to demobilization and mine clearance through this project, to the immediate reconstruction of roads and bridges through the Rural Access Activity, and to the construction of civil society and elections through the Democratic Initiatives Project. In addition, other programs -- such as the PVO Support Project -- were refocused to assist in the transition from war relief efforts to the beginnings of a self-reliant civil society. This amendment to the DRSP continues this support until 1995, and specifically addresses the problem of ensuring that the ex-combatants reintegrate peacefully into society. Without such assistance, it appears probable that there will be significant disruptions to civil society that could threaten peace and stability, and therefore preclude the reconstruction and resettlement of large parts of the country.

2. Project Description and Justification

DRSP as originally authorized had a two-year, \$15,000,000, LOP, and focused on 'Phase 1' of the demobilization process -- the processing of soldiers through assembly areas, their demobilization, and their transport home. It also provided funding for the removal from priority roads of the landmines that were severely constraining resettlement and the resumption of commerce.

a. Demobilization & Reintegration of Ex-Combatants

At present, over 90 per cent of the 87,000 soldiers from both sides have registered and most have been demobilized; it is expected that only a small number -- perhaps 10,000 -- will enter the new army, leaving 77,000 to enter civilian life. In addition to these, another 13,776 soldiers who

were officially demobilized before the General Peace Agreement (GPA) was signed, but transported home in 1993, are eligible for the package of benefits the others are getting. By the end of September, 1994, a month before the elections, the last of the ex-soldiers should be transported home. Phase 1 of demobilization cost approximately \$56 million (including a USAID contribution of \$10 million) and has been fully funded.

The donors as a group were initially highly skeptical of follow-on programs to assist the ex-soldiers after they return to their civilian communities: the view that no special programs for the demobilized should be funded prevailed at the January, 1993 Rome Conference and, to a lesser extent, at its June, 1993 sequel in Maputo. At the time, the donors argued on moral and developmental grounds that programs should address the needs of the entire displaced population -- estimated at about six million refugees, internally displaced, and demobilized (including families). This attitude shifted considerably during the year, partly because of the realization that unless the special needs of the soldiers and their families were met, they would become a serious threat to post-war civil society, and also because new work on demobilization experience in other countries showed that some reintegration programs were critical to a peaceful transition. It is now generally accepted that a short-term effort must be made to provide some basic livelihood and a better chance for full reintegration into economic and social life. Based on this, the donors as a group, under the direction of the Commission for Reintegration (CORE) have agreed to four programs -- the Regional Support Scheme (RSS), the Information and Referral Service (IRS), the Provincial Fund, and the Occupational Skills Development Program (OSD) -- all of which last approximately 18 months. USAID is a major contributor to the IRS and Provincial Fund.

Under this amendment, USAID will contribute an additional \$5.1 million to the reintegration program, through an amendment to the existing grant with the International Organization for Migration. The funds will be used to continue to provide basic information and referral services to the ex-combatants and to contribute to the Provincial Fund.

b. Mine Clearance

The mine problem in Mozambique is a major constraint to the resettlement of rural areas. To address the problem the UN, with multi-donor support, has been implementing a program in the following areas:

- Clearance by contractors of priority roads.
- Mine awareness for populations returning to areas with a mine threat.
- The establishment of a Mine Clearance Training Center to train Mozambican deminers.
- Area and refugee return route clearance by NGOs.
- The creation of an indigenous capacity for clearing mines over the longer term.
- A mine survey to determine where the mines are.

To date, the UN's implementation performance has been extremely poor. The landmine survey, critical to longer term planning for an indigenous capacity, and the contract for priority roads,

critical for the re-establishment of communities and commerce, were delayed by a year and 18 months respectively. Furthermore, the Mine Clearance Training Center (MCTC) has graduated only about 120 in 18 months of operation, and these have had trouble finding employment. Other programs funded by bilateral donors, including USAID, have fared better. Norwegian People's Aid and Halo Trust, NGOs funded by Norway and ODA, respectively, have cleared significant routes and areas in Tete, Manica, and Zambezia provinces, while USAID has, through a contract with a U.S. company, Ronco, cleared about 550 kilometers and is now demining nearly 100 kilometers of priority roads a week. The UN contractor for roads has also begun work and is clearing about 100 kilometers a week.

While serious concerns remain about the longer term framework for mine clearance in Mozambique, USAID will, in the short term, continue its program for priority roads and, at the same time, investigate how our contract with RONCO might be used in support of a longer term solution to the landmine problem. This program is financed with funds transferred from the Department of Defense (DoD) to USAID, and the analysis performed for demining under the original project authorization remains valid.

c. Goal and Purpose

The goal and purpose descriptions remain as stated in the original project paper and authorization. The goal of the project is the successful transition of Mozambique from war to peace. The purpose is to support those immediate relief and rehabilitation actions necessary for the implementation of the Mozambique Peace Agreement. This supplement adds to the original inputs -- the transport home of the demobilized and their dependents, mine clearance of priority roads, and health services and essential goods for the assembly areas (AAs) -- activities in support of the reintegration of the ex-combatants into civilian life and further mine clearance assistance, both for priority roads and possibly for other support to the overall program for Mozambique. The main additional activities are support to an Information and Referral Service, with offices in every province, and to a Provincial Fund that will be able to quickly respond to opportunities for social and economic reintegration of the soldiers. While the original program activities were ADA funded and had, with the exception of mine clearance, only indirect longer term impacts, the IRS and PF, which are to be funded from the DFA, will directly contribute to longer term economic growth and the development of civil society.

d. Implementation and Procurement Plan

The supplement finances amendments to two existing commitments: A grant to the IOM to implement the IRS through January, 1995, will be expanded to include the Provincial Fund and extended to the end of 1995; and an existing contract with Ronco Corporation will be amended to cover the clearance of an additional 2,500 kilometers of priority road in 1995 and, possibly for assistance to Mozambique's overall, longer term, mine clearance plan. Both these amendments will be executed in October, 1994. The Ronco contract will be increased from \$4,350,000 to approximately \$7,350,000, effective in mid-October 1994, and to \$9,350,000 effective in early CY1995. The IOM Grant will be increased from \$1,750,000 to \$5,250,000 effective in early

October. An additional \$1.5 million will be added in early 1995. Of the total grant to the IOM, \$2,000,000 will be for the Provincial Fund and the rest will cover the operation of the IRS, which includes the costs of operating the Provincial Fund.

There are several smaller procurement actions. The October 1994 and June 1995 evaluations will be conducted by one person under a purchase order, while the final evaluation will be contracted directly or through an existing IQC. USAID may, based on the initial research findings (expected in October, 1994), continue a contract to the Oxford Refugee Studies program for research on individual reintegration experience over time. Finally, the PSC contracts for project management will be extended to early 1996.

e. Financial Plan

The project budget is as follows:

Line Item	Original FP	This Amendment	Total Authorization
Transport, grant to IOM	6,000,000	(1,000,000)	5,000,000
Mine Clearance ²			
ADA Funding	4,500,000	(150,000)	4,350,000
DoD Funding	0	5,000,000	5,000,000
Evaluation, Audit, Research & Management	1,000,000	500,000	1,500,000
Essential items for demobilization & reintegration	750,000	0	750,000
NGO/PIO (health, vulnerable groups)	1,000,000	(250,000)	750,000
Information & Referral Services	1,750,000	4,000,000	5,750,000
Provincial Fund	0	2,000,000	2,000,000
TOTAL	15,000,000	10,100,000	25,100,000

²This amendment obligates \$5,000,000 in funds transferred from the Department of Defense (DoD) to USAID for activities to support mine clearance for humanitarian purposes and transfers \$150,000 in previously obligated funds to the IRS and Provincial Fund line items.

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Obligation History:

1. Direct Grant to IOM, April 8, 1993:	\$2,000,000
2. Limited Scope Grant Agreement, June 2, 1993:	\$13,000,000
3. FY 1994 LSGA:	\$8,600,000
TOTAL OBLIGATION THROUGH FY 1994:	\$23,600,000
TOTAL LIMITED SCOPE GRANT AGREEMENT THROUGH FY 1994:	\$21,600,000

The sources of funding are as follows:

ADA: \$15,000,000, first numeric column in above table.

IDA: \$ 5,000,000, additional funds for mine clearance.

DFA: \$ 5,100,000, Grant to the IOM for the provincial fund and IRS, of which \$3,600,000 will be obligated in FY94.

The IDA funds are those transferred to USAID from the Department of Defense.

The obligation schedule is as follows:

FY 1993: \$15,000,000 (ADA)

FY 1994: \$ 8,600,000 (IDA and DFA)

FY 1995: \$ 1,500,000 (DFA)

The FY 1995 obligation is planned for the second quarter.

f. IOM Capacity

The IOM was established in Mozambique in late 1992, and performed well the difficult task of transporting the ex-combatants and their families home during the first phase of demobilization. Since April, 1993, the organization has operated IRS offices in each province, and in this role, too, has been highly effective. The IOM has worldwide experience in the reintegration of migrants and refugees, and has been able to apply that institutional experience to the demobilized soldiers. For the IRS, the IOM subcontracted with Creative Associates International, to provide expertise specific to the problems of ex-combatants. This relationship will continue through the life of the grant in support of both the IRS and the Provincial Fund. The IOM has mapped local institutions and voluntary organizations in each province. These NGOs, churches, and private companies with experience in the communities receiving the demobilized, will implement the sub-projects. This combination of agents is clearly capable of carrying out the IRS/PF activities effectively.

3. Project Analysis - Social Justification

The IRS/Provincial Fund components of the project have an essentially social aim; to contribute

to the peaceful and productive reintegration of soldiers into civilian life. The following analysis therefore provides not only the basic rationale for USAID's approach, but also addresses other important issues such as who will be targeted, what criteria to use for project selection, and how to monitor the program. It also discusses experience in other countries and stresses the appropriateness of a flexible, community-based approach. Annex 1, "Lessons from D/R Experience Elsewhere" and Annex 2, "Criteria for Provincial Fund Projects", expand on this.

The following focuses on the combined Provincial Fund and Information and Referral Service for demobilized soldiers. It looks at:

1. the direct beneficiaries (their experiences, attitudes and desires).
2. the feasibility of the sub-project approach (the degree of participation in activity design and implementation; the potential for sustainability; whether any potentially adverse consequences are anticipated and what can be done to mitigate them; and, whether there is likely to be opposition to the component); and,
3. what indirect benefits can be expected (probable spread effects, in terms of specific interventions and "greater social good", and what could happen if no support was organized for the economic and social reintegration of demobilized soldiers).

a. Background

On October 4, 1992, following two years of negotiations, a peace agreement was signed in Rome between the two belligerents, the Government of Mozambique (GRM) and RENAMO (National Resistance of Mozambique). Demobilization of the opposing armed forces was provided for under this agreement, as were programs to assist with reintegration.

Experience with Demobilization/Reintegration (D/R) programs elsewhere confirms that short-term support for demobilization (such as that provided through Phase one of the demobilization process in Mozambique) will not achieve the degree of reintegration of ex-combatants that is essential for the successful transition from war to peace (see Annex 1) and to economic development. The combined Provincial Fund and Information and Referral Service for demobilized soldiers has been designed to assist with the longer term reintegration. The program was developed under the auspices of the Commission for Reintegration (CORE), and in full collaboration with donors, individual demobilized and demobilizing soldiers, NGOs, community-based organizations (CBOs), and officials working on the demobilization process from the Government, Renamo and various implementing agencies (UNOHAC, UNOMOZ, Technical Unit (TU), IOM).

Because the social, political and economic costs of ineffective or even abortive demobilization (Angola) are enormous, interventions to prevent collapse are clearly justifiable. USAID analysis (see DRSP and REDSO/ESA/APD files) along with that of the World Bank (1993) confirms that

reintegration programs of the type proposed in this supplement³ have been critical in securing a peaceful transition from war to peace in other countries. There is every reason to believe they will also play a key role in the Mozambican context.

b. Feasibility of project approach

USAID's own experience in reintegration (mostly with displaced and refugee populations), experience in other countries with demobilization, and experience in Mozambique since October 1992 was taken into account during the design process for the combined Provincial Fund and Information and Referral Service. Reintegration in this context has been defined as both economic and social. The former implies finding sustainable self-employment or formal/informal sector employment or any other 'legal/generally accepted' means of income generation which will provide basic household food security. The latter, social reintegration, must either precede or accompany the economic dimension for long term reintegration to take place. Project support for reintegration will take into account the following:

- 1) The most efficient and sustainable approach to economic reintegration is to adapt existing opportunities for training and employment to the needs of the demobilized while matching individual ex-combatants to these opportunities.
- 2) Full economic reintegration is a long term objective which can only be met as the economy expands. Economic expansion in turn depends upon adequate security and the maintenance of peace. Therefore, success over the life of the project will be measured by the reduced incidence of anti-social behavior by demobilized soldiers rather than in terms of general economic development impact or the number of demobilized soldiers achieving self-sufficiency during the life of the project⁴.

3. Possible activities to be supported include:

A) direct services - 1) distribution of "kits" vegpacks, fishing equipment etc; 2) facilitation of demobilization benefits provided by other donors or the government; 3) counselling, information and referral; 4) helping demobilized soldiers solve specific demobilization related problems; and,
B) funding and contracting for management and implementation through intermediary organizations of the following - 1) on-the-job training; 2) subsidized training; 3) apprenticeships; 4) infrastructure reconstruction/ short term wage employment opportunities; 5) start-up grants to promote self-employment and small businesses including agricultural services; 6) joint venture grants to enable demobilized soldiers to participate in privatization; 7) scholarships; 8) basic literacy/numeracy courses; 9) short-term training courses, especially those geared towards a specific employment niche e.g. driving, machine operation; 10) provision of TA for small business start-ups; 11) cultural initiatives geared towards social reintegration; and, 12) conflict resolution activities.

⁴ Suggested indicators include: 1) The overall level of satisfaction of demobilized soldiers with their reintegration package is maintained, though specific incidents of unrest and dissatisfaction may be inevitable. 2) Communities accept and absorb most demobilized soldiers. 3) Demobilized soldiers largely desist from violence and take up civilian means of supporting themselves before their reintegration subsidy payments end. 4) Government, partner organizations and other agencies executing demobilization projects express satisfaction with the combined information and referral service and provincial fund including its flexibility in problem solving.

- 3) **The most effective way to achieve social reintegration is to provide support to the demobilized in the areas where they have chosen to settle in a manner which allows for grassroots community participation. Therefore, specific interventions will be developed and implemented in a decentralized and flexible manner.**
- 4) **The need for reintegration is immediate. Therefore, all sub-projects will be quick-starting and provide benefits which are perceived by demobilized soldiers and the communities in which they resettle to be direct and tangible.**
- 5) **Reintegration activities for the demobilized should be demand driven and generated by recipients (both individuals and intermediary Community-based Organizations (CBOs), NGOs, or local businesses).**
- 6) **Specific sub-projects will be funded through third party organizations or groups so as to avoid a "public counter" approach and the perception that the funds available are more or less additional cash payments or entitlements.**
- 7) **Funds are limited and therefore expectations should not be raised which cannot be met.**
- 8) **Given that opportunities will vary according to location, the process, procedures and implementation must be open, transparent and accountable.**
- 9) **Information and Counselling will focus on identifying opportunities and defining constraints to reintegration, and will assist Demobilized soldiers in solving their own problems and adopting realistic expectations.**

Given the experimental nature of some Demobilization/ Reintegration sub-projects as well as the degree to which recipient participation is sought in specific activity design, it will be essential to monitor sub-projects carefully. This will facilitate identification and dissemination of successful interventions so that they can be replicated both within the DRSP and outside it. In addition, continual monitoring and evaluation will permit reintegration problems or problem areas to be identified, and assessed and allow mitigation actions to be taken before frustration leads to "anti-social" activities rather than reintegration. Monitoring and evaluation has thus been built into the design through the proposed approach, beginning with individual interviews and followed by community assessments of progress/success/failure and perceived obstacles to reintegration. Any information collected will, once aggregated, be available to all parties involved in reintegration programming and the project itself will be proactive in making sure this information is disseminated as appropriate.

While there is no guarantee of individual sub-project success, careful evaluation of proposals and subsequent selection will minimize failure. In addition, while the challenges of successful

economic and social reintegration into civilian life in a country devastated by years of civil war are enormous, the approach taken is sensitive to the socio-economic as well as the political and cultural environment. It is highly participatory and demand driven and as such is both appropriate and feasible.

Economic and social integration/reintegration programs that follow this project (i.e. 1996 and beyond) should be community based and integrated with programs for the population as a whole. Consideration may be given, if the political situation requires, to setting aside quotas for demobilized soldiers or their dependents after this project ends. In the shorter term, this project will favor community projects as they have been shown to ease healing and reconciliation and therefore to promote more rapid psychological and social reintegration.

c. Direct beneficiaries

The direct beneficiaries of the combined Provincial Fund and Information and Referral Service will be some 90,000 demobilized soldiers and their dependents. These consist of about 77,000 demobilized since the Peace Agreement, the 13,776 demobilized prior to the Agreement, and 2,000 *Casa Militar*³ (less a couple of thousand from the total for disappearances). As of August 31, 1994, 72,075 soldiers had been demobilized; these had a total of 77,182 declared dependents. Although 80% are considered to be married, the average household size of demobilized soldiers appears to be significantly smaller than that prevailing in the Mozambican population as a whole.

Individual demobilized soldiers vary according to their former rank in the army; their years of service; prior experience; educational levels; age; marital status; gender (1-2% are expected to be women); whether or not they have been living with their families or in military camps; whether they enlisted out of choice; whether the army was a job of last resort or whether they were conscripted; their area of origin and desired area of reintegration (both geographic and rural/urban); their current health/disability status⁴ (some 4,000 are disabled and will receive government pensions which may not be adequate to survive on or support dependents); and their job expectations. Each of these factors will influence their ability to reintegrate and the types of assistance which are most likely to benefit them. It is therefore probable that D/R initiatives will not only vary with geographic location and the availability of services/training institutes/employment opportunities, but also with different sub-groups.

The project, by emphasizing individual needs and locally generated opportunities, will accommodate these differences. However, eligibility criteria must be transparent and be perceived to be fair. Furthermore there is a risk of alienating some demobilized soldiers because there are unlikely to be sufficient opportunities for them to take up a favored option. While data

³*Casa Militar* are military hired by the Ministry of the Interior but placed under the jurisdiction of the Ministry of Defense to defend public property. Their eligibility was in doubt until August, 1994.

⁴ Of particular concern is HIV/AIDS status.

on all of the above factors has been collected it has yet to be analyzed. Similarly, while an inventory of existing opportunities has been undertaken, these have not been matched to individuals within geographical areas. We do, however, know that of the 13,776 first demobilized, 26% wanted to enter formal education, 21% wanted to be mechanics, 17% wanted to be fishermen and 10% wanted to be peasant farmers. Counselling will be offered to reconcile these stated desires with educational and economic opportunities. With counselling, additional information will be provided about alternative occupations and other job placement, training or apprenticeship opportunities.

Available data shows a high degree of family and social integration between the military population and civilians; this bodes well for a smooth transition and social reintegration period. However, it also shows that the military constitutes a group with low development potential. Those who have served for a long time tend to be less trained than the average male population and many have been through years of idleness punctuated by moments of danger. On the positive side, some officers and NCOs who are able to establish new lives for themselves are already doing so. Therefore they pose neither a problem for reintegration nor are they in need of external support.

d. Women

The majority of direct beneficiaries will be men and male youths, who constitute 98 - 99% of the demobilized. Women will, however, directly benefit from the dividends of peace. The female partners of the demobilized will also benefit from the services provided to their menfolk, and will also make up a large proportion of the non-demobilized covered by the Provincial Fund (up to 50 % of the direct beneficiaries may be non-demobilized, see Annex 2). Women have borne the brunt of the civil war and make up the majority of the refugee and displaced population. Those who did not become part of a dependent population have struggled to provide for themselves and their dependents under a collapsed economy and often at great personal risk -- more than men, they have been murdered, beaten and pressed into slavery. The conditions of peace that this project promotes, and the economic growth that is expected to follow, will assist women to regain a secure livelihood and future in which they will participate actively in the country's economic, social and political development.

e. Officers

Increasing the effectiveness of reintegration is the aim of the project. There are a number of compelling reasons why officers should receive particular attention from efforts to promote successful demobilization and reintegration. Because of their better military training, experience in exercising authority, higher expectations, and the generally longer period of military service, officers may find the transition to civilian society more difficult. For the same reasons, former officers, without successful reintegration (whether achieved with outside assistance or autonomously) may pose a greater threat to sustained social tranquillity. A recent survey of officers in Boane and Government Army Headquarters supports this assumption. Many of those interviewed made veiled threats that if the Government does not fulfill its obligation to negotiate

jobs and loans on their behalf they would cause trouble⁷. Based on several discussions with senior military personnel, officers can be divided into three groups (while numbers are uncertain until the data base has been analyzed, it is expected that 20-25,000 of those demobilized will fall into these three groups).

Group 1 Profile:

Under ten years service. Literate and numerate, mostly serving in clerical or skilled positions. Employable and not much of a military threat; not generally eligible for pensions. Only a small minority accepted into the new army, which has a surplus of officer candidates.

Group 2 Profile:

More than ten years of service. Not well educated. Mostly serving in infantry. Considerable combat experience. Skills not easily transferable to civilian employment. Not easily trained. The major threat to the peace process. Generally eligible for pensions, which are inadequate. Only a minority went into the new army.

Group 3 Profile:

Mainly field grade officers - Majors, Lieutenant Colonels and higher. Well off. Considerable political leverage. Often have independent sources of income. Varied degrees of employability. Not likely to be interested in or satisfied by what the donors are providing to those reintegrating into the rural sectors. All eligible for pensions and would be principal candidates for concessions of land or mining rights from the Government. Some have chosen the new army, others will find other employment.

The first group, while probably not posing a major threat, are the most likely to benefit from the types of activities funded under this PP supplement. In their case, it would seem prudent as well as developmentally sound to make a special effort since through training they could become teachers, farmers (as opposed to *machambeiros*), small businessmen, etc. However, given that the government is expected to accommodate the third group and the first group is already reintegrating, a major concern of reintegration programs will be the second group; these are the soldiers least likely to abandon military practice and most capable of summoning others to arms after demobilization. At the same time, the Government itself has reportedly provided a considerable settlement to all officers, and they may not require special additional attention.

⁷ Other sentiments expressed included fear of being despised by civilians. On the positive side many officers understood that the Government can not afford to support a full reintegration program and that previous attempts to do so in 1978 and 1989 failed. However, they suggested as an essential activity establishing career guidance and social integration programs to help soldiers psychologically adjust to civilian life.

f. Potential problems

While care will be taken to cater to the specific needs of demobilized soldiers and the circumstances they face in Mozambique, there will undoubtedly be some risks. Potential opposition to the project and potential problems include:

1. Given limited markets for the output of some benefits (e.g. training), the number eligible for each benefit will have to be restricted⁸. Care should be taken not to raise expectations to unrealistic levels and target groups/ eligibility criteria for inclusion in benefit programs must be transparent, agreed upon and publicized. In addition, where no programs exist alternatives may have to be developed.
2. There is a danger of the program being urban biased since offices will be established at the provincial level and outreach services have yet to be fully developed.
3. The only way for sustainable economic reintegration to be achieved is for the economy to grow sufficiently to absorb all new entrants into the labor force (ex-combatants, returning refugees, school leavers, and so forth). This is beyond the scope and control of the project.
4. In addition to demobilized soldiers themselves taking issue with the benefits to be offered, other groups trying to reintegrate (refugees and displaced people) may resent the special services/ programs being offered to the demobilized. This problem will perhaps be countered, at least to some extent, by the fact that many of the projects will be community based and up to 50 percent of the beneficiaries may be non-demobilized (see Annex 2).
5. There is a minority of die-hard trouble makers whose maladjustments to civilian life are caused more by deep seated psychological problems than by obstacles to reintegration. This group is unlikely to respond to any of the existing types of benefits and may either require psychiatric care or more repressive measures (e.g. confinement), to control the potential outbreaks of violence that can be expected to illustrate their continuing inability to reintegrate peacefully.
6. There may be unforeseen and dangerous problems that arise from time to time at the IRS offices and elsewhere; for this reason the CORE has established a conflict resolution team.

⁸ Studies on NGO activities and potential training opportunities reveal significant geographical variation in potential benefit delivery as well as widely divergent costs for different benefits.

g. Conclusion

The objective of reintegration programs for demobilized soldiers is to facilitate their rapid and peaceful transition to civilian life and the reestablishment of security, law and order. Experience in other countries indicates reintegration objectives can be promoted by developing client-centered information, referral and employment programs for demobilized soldiers. Therefore, the basic concept of providing demobilized soldiers with a provincially based information and referral service is socially and politically sound. Furthermore the programs proposed in this PP supplement are considered to be socially feasible. In addition, it is anticipated that they will not only assist in social and economic reintegration of demobilized soldiers and thereby contribute to securing peace and stability in Mozambique, but that the project will also advance our knowledge of the effectiveness of a number of specific reintegration activities.

4. Economic Analysis

Mozambique, as a country in transition from war and a one-party state to peace and democracy, faces a number of serious economic challenges which include the dire poverty of its population and the associated problems of underdevelopment. Estimated per capita income for 1993 was US\$61, one of the lowest in the world. The need to demobilize and reintegrate members of the fighting forces further complicates the process of establishing normality after a decade or more of civil war.

One of the primary responsibilities of any government is the establishment of a secure environment for conducting economic activity. To date, DRSP has supported the return to normality by assisting in clearing mines and other unexploded ordnance as well as by supporting the encampment and transport of the demobilized soldiers. About 4,500 kilometers of road will be cleared by the end of 1995. While it is difficult to quantify the economic benefits because of lack of specific data, traffic on cleared roads usually increases rapidly, permitting easier access to areas previously cut off and shortening lengthy detours. The net effect is increased economic activity at lower costs.

Mozambique's labor force is estimated to be about 7 million out of a total population of 16-17 million. Unemployment is estimated to be at about 50 per cent. About 85 per cent of the population is rural. Finding or creating job opportunities for the unemployed is obviously a critical problem. Migrant work opportunities, historically available in South Africa, have declined significantly over the last few years. There are just over 60,000 Mozambican guest workers in South Africa at this time. Therefore, in order to create and disseminate information on economic opportunities, ex-combatants are targeted by the Provincial Fund and the Information and Referral Service under the reintegration strategy, since their reentry into civilian life is critical for a peaceful society. Supplying information to the demobilized on their demobilization, helping them solve problems, selecting and funding projects to create job opportunities, and referring them for employment will increase the probability of a successful transition to civilian life. In a sense therefore, this project aims at the most basic component of a productive society, stability, and is justifiable from that point of view alone.

Despite the decade of intense war that ended in late 1992, the GRM has, since the mid-1980s, gradually abandoned Marxist-Leninist political and economic policies in favor of a free market and more open political system. The positive effects on investment and growth of these policy changes were dampened, however, by war, which depopulated the countryside and the closed all major internal transport routes. Under conditions of peace, Mozambique should experience a period of broad-based and more rapid economic growth. These conditions, however, depend on the successful transition to peace; i.e., the reintegration of the ex-soldiers and elections, followed by a stable government that continues to support an economic environment conducive to the growth of the private sector. At this point, the opportunities for employment in the informal sector, which employs most Mozambicans, appear to be good.

5. Monitoring and Evaluation

In addition to the monitoring provided under the grant to the IOM, USAID plans a formal evaluation of the project in October 1994, to assess our contribution to Phase 1 of demobilization, now drawing to a close, and to review and propose adjustments to our plans for the reintegration phase. A review of selected Provincial Fund projects is scheduled for mid-1995, with a view to improving the portfolio according to what works. Final evaluation will be held in late 1995.

USAID project management will also make monthly field visits to IOM provincial headquarters to review IRS and Provincial Fund operations and problems. Finally, the impact monitoring reviews (quarterly visits to several rural areas) will track reintegration of ex-combatants and other displaced groups.

6. Audit

A non-federal audit of the RONCO contract will be conducted as a part of the contract close-out.

Annexes:

1. Lessons Learned from D/R Experience Elsewhere
2. Provincial Fund Projects
3. Project Assistance Checklist
4. Memorandum of Understanding between USAID and the Department of Defense
5. Initial Environmental Examination
6. Waiver of 25 % Host Country Contribution

Annex 1: Lessons from D/R Experience Elsewhere⁹

Components of D/R programs around the world have been: 1) compensation (monthly allowances, transport, pensions, settling in or lump sum cash/in-kind entitlement); and, 2) assistance to enable reintegration into the domestic labor markets (public works, formal or vocational training, job creation, credit provision).

Monetary Compensation

Monetary compensation is particularly attractive in countries where there is a low institutional or donor capacity to provide more complex training, job creation, job counselling, and job placement programs. Payments are meant to diffuse political tensions by providing tangible, if token, evidence that the government recognizes the sacrifices combatants have made on behalf of their country or their cause. However, cash has made little difference to the ex-combatants' ability to find productive employment and therefore achieve successful economic integration. Indeed analysts believe the generous payments offered in Zimbabwe fueled expectations and provided a disincentive for ex-combatants to find employment. USAID is not funding this sort of program in Mozambique.

Whether payments in Mozambique will be sufficient to diffuse political tension or whether, as some contend, they are a 'provocation'¹⁰ will depend on the success of other programs developed for ex-combatants and for the reintegration of all disadvantaged population groups.

In-kind Allowances

In-kind allowances are offered because demobilized soldiers and their dependents frequently find themselves without certain basic necessities (shelter, medical care, food, clothing, household goods, even education for their children), which had previously been provided by the armed forces or guerilla groups. Providing some in-kind assistance as the demobilized leave assembly areas has been shown to speed reintegration¹¹. In Mozambique, giving clothing, seeds and tools, and *capulanas* to ex-combatants provides them with the means to meet traditional obligations and, assuming they obtain land, the ability to commence economic activity.

Economic Integration

While absorption of the soldiers into formal economic activity would probably offer the most effective means of achieving long-term reintegration, the job-offering capacity of the formal sector is almost nil in Mozambique and consequently the demobilized will not have access to job opportunities in the formal sector. In addition, with respect to integration into domestic labor markets, former combatants frequently lack the skills to manage their finances or obtain jobs

⁹ Based on World Bank documentation ("Demobilization and Reintegration of Military Personnel; in Africa: the evidence from seven country case studies", World bank October 1993)

¹⁰ From interviews conducted with officers in Boane.

¹¹ In Uganda and Ethiopia, providing former combatants with housing materials, household goods, and agricultural implements or other starter kits, is believed to have eased their reintegration (USAID communications).

and/or lack access to land¹² or other inputs necessary to succeed in self employment. Hindsight from the Zimbabwe experience suggests that counselling and reorientation programs are essential in order to prepare demobilized soldiers for a productive role in the civilian environment¹³. Counselling and reorientation sessions should commence as soon as possible involving both individuals to be demobilized and the communities into which they will resettle¹⁴. Once in assembly areas, greater emphasis should be placed on literacy and lifeskills training with follow-on counseling and referral¹⁵ once individuals are resettled¹⁶.

Once demobilized, formal education¹⁷ is another attractive option because in the short term it will reduce pressure on the job market and in the longer term the educational level of the population will be enhanced¹⁸. Vocational training is similarly attractive and is unquestionably needed since military skills are not generally transferrable to productive civilian activities. However, formal education and vocational training should be matched both to the aspirations of

¹² While access to land is guaranteed by law to all Mozambican citizens willing to work, including refugees and demobilized soldiers, and the Government claims parcels of land are being prepared for distribution, there are already instances of land conflict arising from multiple claims to individual plots. USAID/Mozambique has begun to address these issues through their work with the Land Tenure Center and will continue their policy dialogue with the Government. GRM should be encouraged to define its land tenure policy (however inadequate it may be) so that the parameters for settlement/resettlement are understood by all players.

¹³ By the end of the D/R program in Zimbabwe, 22% of the demobilized soldiers were unemployed and a further 52% had been employed in the civil service or reemployed by the army.

¹⁴ In Uganda, district veterans officers met with community leaders prior to the veterans' arrival, to explain the DR process, hear the community's concerns, and seek their assistance.

¹⁵ In El Salvador a list of potential assistance from government and non-governmental agencies that might benefit ex-combatants was compiled and all those to be demobilized were given vocational guidance and counseling in assembly areas.

¹⁶ In Mozambique there was some debate about whether it would be advisable to develop programs for assembly areas. Opponents argued that this would make life "too comfortable" and thus prolong individuals' cantonment and consequently increase opportunities for them to organize either as a pressure group or as was the case in Angola to resume armed conflict. Proponents argue that once the demobilized are dispersed it will be difficult for them to obtain such training and that any special programs for the demobilized on their own would cause resentment in the communities where they resettle.

¹⁷ Formal education was listed by 26% of the 13,776 soldiers demobilized first in Mozambique as their preferred occupation. The Ministry of Education, however, was unable to develop special programs for the demobilized. The provincial fund may provide some support in this area.

¹⁸ Analysis shows that basic education in and of itself benefits both individuals and the country whether or not it leads to formal employment.

those demobilized and to the needs of the economy¹⁹. Furthermore, programs should be channeled through existing institutions²⁰ which have been evaluated to assess their success in providing training required by formal and informal labor markets. In addition, places should only be offered to applicants with proven aptitude who meet entry requirements. In Mozambique these conditions for success pose a problem given lack of funding for education and limited capacity in both formal and informal training institutions. Furthermore, training programs tied to the absorptive capacity of the economy will only cater to a small percentage of the target population.

Job creation/employment projects are more difficult to manage with credit and cooperative endeavors having achieved little success. Furthermore outside of short-term public works and family farming, job creation schemes usually cannot compete with established businesses and often do not provide a living income. Rather than creating jobs, job placement (including apprenticeship) may be more appropriate. However, given high rates of unemployment, it is important not to raise expectations that cannot be met²¹.

Social Integration

In planning for both economic and social reintegration, it is important to remember that there are several factors which affect possibilities for successful reintegration and the types of programs most likely to result in positive impacts. These include: the demobilized's length of service, prior experience, education level, age, whether or not they have been living with their families, and health (particularly HIV) status.

In countries that have experienced protracted civil conflict, the availability of comprehensive social services to assist in social reintegration is considered crucial for a successful D/R effort²². However, in Mozambique, social infrastructure and the capacity of social services is woefully inadequate. Rather than attempting to strengthen and or create social services and infrastructure

¹⁹ In Ethiopia, the GTZ program in urban areas offers assistance to facilitate the demobilized return to previous occupations i.e. job placement, skill upgrading, self-employment development - tools and equipment provision, credit schemes etc. The rural program facilitates allocation of farm land, provision of agricultural inputs including oxen and/or heifers. Even with this more hands-on approach a recent evaluation has shown that effectiveness would have been considerably enhanced if project studies and appraisals had been carried out prior to distributing inputs to farmers and developing training programs for non-farmers. The provision of inputs is neither an end in itself nor is it sufficient to ensure reintegration.

²⁰ Special schools built in Zimbabwe for demobilized soldiers were never filled to capacity.

²¹ In Namibia where there is 40% unemployment, planners found 100% more demobilized fighters remain unemployed than even their worst case scenarios had predicted (NISER 1993).

²² In Uganda, for example, social service programs were made available to all members of the community to combat the perception that veterans were receiving priority treatment. Analysts believe that broadening social programs to include all segments of the population is important in closing the social distance between the community and returning veterans.

within the confines of a D/R program, this type of assistance is more appropriate within the context of reconstruction and development programs. However, D/R programming can assist community and demobilized soldiers efforts to reconstruct the physical infrastructure necessary for effective social services as well as assist communities to cope with social reintegration including, reconciliation, conflict resolution, easing psycho-social trauma and dealing with any resulting deviant behavior. Indeed it is acknowledged that rapid integration of demobilized soldiers into the larger community may also decrease the threat of renewed fighting or increased crime posed by the maintained existence of group identity among ex-soldiers (Colletta/Ball, 1993: 38).

It is clearly important that all D/R initiatives are implemented in such a way as to strengthen rather than undermine receiving communities and their traditional coping mechanisms. This is not to say the peace process, reintegration and subsequent political processes will not alter the balance of power, rather that changes will take place within a given socio-cultural context. Within this context new attitudes need to be developed for healing to take place. Negotiation of new identities and roles may be particularly difficult for ex-combatants given that they are coming home with little economic security and limited contributions to household/community food security. Their position may be further compounded by an ambivalent reception due to the fact that the war was extremely destructive and there was no clear victory.

In addition to formal counselling, informal counselling through priests and traditional authorities is likely to play a key role in social reintegration. Research in Mozambique (Honwana, Baptista Lundin de Coloane) has shown that they continue to be consulted by local populations regarding local land disputes, family and lineage disagreements, and in the case of *curandeiros* (traditional healers), resolution of personal and group health and psychological problems. In areas where dislocation and historical experience have had a significant impact on community organization (political, religious and jural) social reintegration may be more difficult.

Annex 2: Provincial Fund Projects²³

I. Background

The General Peace Agreement which was concluded on October 4, 1992 between the Government of Mozambique and Renamo, requires the demobilization of all soldiers not integrated into the new army. The number of those to be demobilized is estimated to be over 90,000.

To assist in the reintegration of the demobilized, the GPA established the Commission for Reintegration (CORE). The CORE functions at the central, regional and provincial level, with offices and personnel in each provincial capital.

While absorption of the demobilized soldiers (DS) into formal economic activity would probably offer the most effective means of achieving long-term reintegration, the job-offering capacity of the formal sector is almost nil and the demobilized will not have access to job opportunities outside the informal sector.

To date, three major programs have been developed to assist with reintegration: 1) the Reintegration Support Scheme (RSS), 2) the Occupational Skills Development Program (OSD), and 3) the Information and Referral Service (IRS).

To complement the other key components of CORE's strategy, the Provincial Fund (PF) was conceived to support the peace process in Mozambique. The PF executing agencies are: a) IOM in the provinces of Niassa, Nampula, Cabo Delgado, Zambezia, Gaza, Maputo province and Maputo city; and b) GTZ in the provinces of Tete, Manica, Sofala and Inhambane. However, it is understood that by mutual agreement either executing agency may implement PF grants in the other's assigned areas, if it is deemed beneficial to the program as a whole.

The present document represents a PF strategy paper proposal, to assist all PF staff in quick-starting the program on the basis of a set of tentative criteria and guidelines for PF operations that aim to reflect the present understanding of the most effective way to achieve rapid program implementation. It is understood that these criteria and guidelines will constantly be revised throughout the life of the program in response to what is learned from the actual program operations of the PF.

²³ Paper prepared for by the IOM to provide guidance to field officers, attachment to Grant Agreement.

II. Objectives , target group and beneficiaries

The overall objective of the Provincial Fund is to support the peace process in Mozambique, by facilitating the reintegration of the demobilized soldiers into their communities.

For those Demobilized soldiers who are without a lifetime pension capable of assuring their survival --the vast majority-- successful economic reintegration implies finding sustainable self-employment or formal/informal employment, or any other means of sufficient income generation. Successful social reintegration -- as viewed by the recipient communities -- must either precede or accompany this economic dimension for reintegration to be effectively accomplished in the long term.

The target group of the PF is thus constituted mainly by the non-reintegrated soldiers, either as perceived by themselves or by their respective communities. Attention will also be given to demobilized soldiers who have shown capacity for self-help.

The direct beneficiaries of the PF will be demobilized soldiers that belong to this group, though (for reasons that will explained later) it is suggested that the PF reach them through intermediary organisations or groups such as government agencies, community organisations, NGOs, private businesses, etc. The indirect beneficiaries of the program shall be the communities were these demobilized soldiers successfully reintegrate.

In this sense, the PF program could be viewed as an investment scheme for peace, whereby the "dividends" of the overall "PF projects portfolio" should be measured in that dimension, rather than in terms of general economic development impact.

III. Grant-making criteria and overall fund-allocation guidelines.

In order to orient PF grants to address the stated target group, the following overall guidelines are set forth, with the understanding that the main distinguishing characteristic of the PF program must be its flexibility at the local level. The PF should be open new and potentially interesting ideas and initiatives, at least on a trial basis.

However, the following initial set of guidelines and general criteria reflect the current understanding -- at the outset of the program -- of how to enhance the PFs' effectiveness in pursuing its stated objectives:

- The above definition of the target group implies that the selection of potential PF beneficiaries should, primarily, seek to focus on those demobilized soldiers who have not yet successfully reintegrated. Many will be on their way to doing so, either on their own or with external help/counselling (demobilization benefits, IRS counselling and referral, existing NGO development programs, etc.): for example, all those demobilized soldiers who go back to making a living on their *machambas*, those that

go back to their previous trades or even jobs, those that enter into training or general education through any of the existing programs, and those that are able to set up viable income-generating activities by themselves or with outside help other than that of the PR. These should not be encouraged to seek out the PF to get "their slice of the cake".

- The PF potential beneficiary list should also seek to avoid routinely including the systematic "trouble-makers", those whose maladjustments to civilian life are probably caused more by deep psychological problems than by the specifics of any given obstacle to reintegration. This group will not respond well to any of the existing types of benefits: it will require either psychiatric care or repressive measures, or both, to control the potential outbreaks of violence that can be expected to mark their continuing inability to reintegrate peacefully.
- The PF should operate in an "open" manner in relation to the scope of projects/initiatives that it can support, but it should not have a visible public "counter", in order to avoid a "me too" reaction from reasonably well reintegrated soldiers, informed of the existence of an additional "hand-out". The IRS should, instead, be the instrument through which the PF evaluates needs and identifies proposals, potential beneficiaries and effective intermediaries for project implementation. More specifically, the IRS will assess reintegration problems, or problem areas by a) interviewing individual demobilized soldiers and evaluating possible mismatches between their support requirements for successful reintegration and the existing support services, and by b) gathering information at the community level about the perceived obstacles to successful reintegration of their respective demobilized soldiers.
- The PF should work exclusively in a grant-making mode, leaving management, training and technical assistance components, in the hands of other organisations or groups (i.e. NGOs, government or community bodies, private firms, qualified DS). Cash disbursements would ideally all be made through these third party organizations or groups.
- This grant-making should, however, be set up as a product purchase from the intermediary, with the grant document clearly stating such things as deliverables, timetable of activities and with grant disbursements conditioned to discrete stages of product delivery, for example.
- One of the main requirements for the set-up of a grant should therefore be the correct identification of who will provide these crucial components, how effectively, and at what cost. This cost should be covered by the grant if it is not available as a donation from the external source. Working in this way, through third parties, and using the IRS as an identifier of demands and opportunities and as a targeting mechanism, the

PF can avoid the danger of opening a public "counter" and yet retain the capacity to respond adequately to demands and opportunities.

- Overall distribution of PF funds to the different provinces should be based on available mappings of target group distribution (for example: unskilled demobilized soldiers, without *machambas* and no expressed interest in training, going to urban areas; information available from TU and IOM travel cards). Other elements to be considered for overall distribution of funds could be the delivery capacity of the existing structure of potential intermediaries in each province, and the geographic distribution of PF donation commitments from the different donors.
- PF grants should generally strive to cover whatever falls through the cracks of existing aid programs, relevant to the PF target group. This means either complementing existing programs to make sure that adequate support is available to the target group, or "buying into" existing programs to assure participation of said target group.
- It will not be possible or even desirable to disregard all projects/initiatives presented by reasonably well reintegrated demobilized soldiers, or those projects/initiatives that involve these demobilized soldiers as beneficiaries. There is a practical argument for this: the "dividing line" between a successfully reintegrated demobilized soldier and a non-reintegrated one is far from clear-cut. Additionally, a strict definition of the target group could end up excluding those demobilized soldiers with initiative and leadership capability, qualities which are required for successful project development, especially for small businesses. Therefore, the PF-funded projects, and its overall portfolio, should strive to achieve the most effective "mix" of beneficiary demobilized soldiers, while keeping in mind that the urge to select only the best projects could make the program lose sight of some members of its target group.
- A further reason to consider supporting some particularly attractive projects, even when the proponents do not strictly fit the main target group, could be as part of a concerted strategy to develop "success stories" capable of luring other demobilized soldiers, including members of the target group, into imitation.
- At least 50% of every grant should have members of the demobilized soldiers target group as direct beneficiaries.
- The median cost per direct beneficiary for all projects combined should be at most \$250 (representing a little over one year's minimum wages in the formal sector, this amount should be sufficient, if well applied, to produce a measurable impact on an individual DS' reintegration. Whether it proves to be the right overall

target figure for grants is something that remains to be evaluated though actual PF operation.)

- The PF should have a “quick response mechanism” for crisis diffusion. In this case, however, it is even more imperative that the PF not be seen as the ultimate problem-solver by the demobilized soldiers, and great restraint must be exercised in the understanding that the group designated as the incorrigible “trouble-makers” should be excluded from the PF target group for the above-stated reasons.
- Three levels of project approval can be tentatively set up: over \$25,000 will require national management-level approval (in the hands of the UNOHAC Chairperson until the elections); between \$25,000 and \$5,000 will require regional manager approval; and under \$ 5,000 will be decided upon at the provincial level, based on the existence of established specific procedures and criteria for evaluation of the type of proposal submitted and of the recipients' financial capacity. It is foreseen that well over 50% of PF grants will fall in the category of under \$5,000, requiring only provincial-level approval.
- New (i.e., untried) projects should generally be treated as medium to large scale ones, requiring regional manager approval and monitoring, and - where advisable - implementation in stages. This category of projects should, after a trial period, be systematised for provincial-level approval and monitoring of successive proposals.

IV. Identified areas of project proposal: general outlines

Through the work of the UNOHAC field officers, the provincial COREs and the IRS offices, a number of potentially attractive areas for PF funding of local initiatives have been identified. The following outlines summarise the existing information in each area -- referring to specific proposals whenever possible -- and present suggested specific criteria for proposal development and evaluation, based on the overall guidelines and criteria described above.

It is understood that these specific criteria -- like the general guidelines -- are to be used solely as risk-evaluation check-lists and not as project rejection rules. They will doubtless be constantly modified by the PF staff, based on their learning experience, but at any given moment they should allow the PF team to separate relatively low-risk grants from high-risk ones, and concentrate their evaluation and monitoring efforts accordingly.

Outline 1

On-the-job training/ apprenticeships

Initial survey work carried out in the provinces by CORE brigades, together with other direct contacts, have identified a series of opportunities for on-the-job training of demobilized soldiers in private and public business firms throughout the country.

The generalised lack of basic skills for industrial work, together with the potential for raising disciplinary problems, make demobilized soldiers rather unattractive for large scale hiring on their own merits.

A program of subsidized training in these business firms is, however, viewed by the majority of the interviewed managers as an attractive option, for which many have already offered a certain number of job slots.

Even though individual cases may merit specific arrangements, some general guidelines for subsidy granting from the PF are proposed:

- The subsidy should cover up to 100% of the minimum salary in the sector of economic activity of the proposed job position for the demobilized soldiers.
- The subsidy should last for up to a 6 month initial period, renewable for just one additional period if evaluation of placement is positive. For firms that have seasonal hiring plans, or on-and-off production activity, the PF will provide the salary subsidy according to the payment schedule of the rest of the workforce. Salaries should be paid by the firm and reimbursed monthly by PF.
- Companies should commit themselves to a certain number of slots for demobilized soldiers and maintain the number of people hired, as long as candidates exist, no matter how job turnover evolves. A possible contract stricture on turnover policy could state that, within the first month on the job, the company could fire those trainees who are patently incompetent for the job and replace them with new candidates whose subsidy period would commence from their first day of work. However, if the company should fire a trainee at any other moment past the first month of training, to rehire a new trainee it must apply the cost of the subsidy already spent on the former trainee towards initial salary payments for the new one. This is intended to prevent abuses of the subsidy agreement by firing trainees as they near the end of their contracted term and replacing them with new ones. If difficult to enforce, then subsequent agreements with firms that take this approach should be discontinued.

- Selection of individual demobilized soldiers for specific job slots will be the responsibility of the employers, although the IRS could provide a very preliminary screening of candidates.
- The approval of new training subsidy agreements between PF and a company that has already participated in this program could be conditioned on an evaluation of the percentage of trainees that were hired as stable employees at the end of the past training period (the 6 or the 12 month period, as agreed).
- However, in some cases it may be more productive to just agree with the company on a specific training program, independent from all pressure to finally hire these trainees. This sort of agreement could reduce the incentive for the contracted companies to replace part of their existing work-force with the subsidised trainees. In any case, the contractual agreements with the participating companies should specifically state the commitment of these firms not to use the subsidies in this manner.

A work group of local businessmen (private and public firms) could be set up as an advisory committee for the PF on the follow-up of on-the-job training schemes in the provinces, and on other employment or self-employment initiatives (offering supplier subcontracts or just mentor support for start-ups). Names of interested local businessmen are available with IRS managers and with some UNOHAC field officers, especially in Manica, Sofala, Zambezia and Nampula.

A specific area which has been identified as potentially interesting is artisan apprenticeships, which could be treated by the PF as basically a training course, whereby the PF grant would cover the mentors' expenses in training time and materials, up to an amount in line with the overall median grant-per-soldier (see proposal by Wenela in Inhambane, as identified by IRS provincial supervisor, and the proposal by ASTER, an NGO also in Inhambane, which each developed a specific project identified by the respective UNOHAC field officers).

Outline 2

Reconstruction projects: short-term wage employment for demobilized soldiers

Numerous infrastructure reconstruction projects have been already carried out by various NGOs throughout the country, some of them through networking efforts by CORE/UNOHAC staff, and many by IOM itself, so that the different forms these schemes can take are well known, whether in-kind payments are made (food, kits, housing materials) or direct wage payments are involved.

The participation of the PF in these schemes would promote specific intervention of the target group demobilized soldiers, preferably in activities that have a relatively long

implementation time - say, 3 to 6 months - school or health center rehabilitation work, for example.

The PF would ideally co-finance these schemes, while drawing in other sources of funding: i.e. other donor programs, government loan or privatization programs, and private firm financing.

General guidelines for grants from the PF for these activities could be:

- PF grant intermediary must be identified as the executing agency of a particular reconstruction project (NGO, community organisation, etc.). Potential grantees' track record in such type of projects will be the basic criteria for approval of a grant.
- Total PF grants per project should not exceed by more than 100% the total demobilized soldiers salary payments (basic wages), and would ideally not be intended to cover management overhead costs.
- Private firms on contract to the government for reconstruction activities will not be eligible for these grants, though they can participate in the on-the-job training grants program.

Programs for the demobilized could be combined with assistance for the internally displaced persons (IDPs). The demobilized soldiers could collaborate in community undertakings aimed at undoing some of the ravages of the civil war, which would have the complementary benefit of creating a longer-term association between other new settlers and the demobilized. In order to assure a transparent grant-making process, IOM should request a third party organisation (a local NGO, for example) to manage both the grant proposal to the PF and the project implementation.

Another group of potential projects are those promoted by town councils for urban reconstruction and maintenance (proposals have been received from the Pemba IRS for renovation of the stadium, city reforestation and erosion control), or public interest programs like reforestation and erosion control outside urban areas (the Manica provincial government has made some proposals with the support of various NGOs and Italian Cooperation).

Outline 3

Self-employment and small businesses.

Self-employment or small business start-up projects presented by demobilized soldiers is another wide area of potential activity for the PF. The following are some suggested basic guidelines for PF grants in this area:

- **Credit must be through competent intermediaries. The PF should make outright grants to the intermediary based on feasibility of the proposal (emphasis on the skills and abilities of the proponent or proponents).**
- **Grants should be targeted to two components of the project start-up: purchase of capital good and training or technical assistance. Capital goods can complement existing kits (available from the through OSD or from an NGO or other source) when needed, or be purchased directly (enabling the beneficiaries to set up collateral for a credit line for the rest of the capital they need) or even total direct purchase. In all cases, cash payments should be made directly to the goods supplier, through the selected intermediary organization, who will be responsible for following sound procedures for these transactions and reporting them to the PF.**
- **Each grant should have a training or technical assistance component, wherever required for the correct development of the project. The provider of this service (the grant intermediary) would ideally give the required training to the proponent, oversee the purchase of the required tools or machinery, give technical assistance during a certain period after start-up, and present a summary evaluation to the PF. Since in these cases (as in the different apprenticeship schemes) the demobilized soldiers themselves are the only direct beneficiaries of the grant money, it is expected that the overall amount of the individual grant will be relatively small (in line with the median grant-per-DS target). Therefore, the above-mentioned support cycle will have to include financing from other sources whenever a relatively complex project is involved. The PF will only be able to wholly finance very simple schemes, where training and/or technical assistance requirements are light, and capital requirements low. Some examples:**

artisanal fishing : purchase of nets and other fishing gear by demobilized soldiers with past experience in this activity (see proposal in Nampula IRS).

sewing machines

bar or restaurant purchase by demobilized soldiers with past experience (see proposal in a Nampula, though this request is marred by dubious request for purchase of a vehicle).

Though the PF can respond to a wide variety of business proposals, two specific types of projects have been identified that, arguably, could have a relatively higher impact on the outlying community and are potentially capable of resettling a relatively large group of demobilized soldiers.

a) Agricultural services projects

A number of initiatives have been recorded in the area of agricultural services which could create good opportunities for employment/self-employment of demobilized soldiers while, at the same time, furthering their reintegration into the local communities.

Examples of these services:

- transportable manual drill for water holes
- harvest surplus depot (and related services, especially transport)
- development of foodstuffs markets and service infrastructure (this and the above fall within the scope of the French government's credit program for the development of commercialization networks in the foodstuffs markets).
- cultivation and harvesting services (tractor or draught animal rentals for tilling, harvesting and transportation; see various references in UNOHAC field officer reports, especially in Manica and Sofala provinces).
- grinding mills (see proposal in Nampula IRS as example, various other references by UNOHAC throughout the country).

These service projects share the characteristic that, though implemented by a small group of people, the service ultimately provided can have an extended impact throughout the local communities.

As noted earlier, in all of the above schemes a technical assistance component will have to be factored in as a start-up cost. Since this will exceed the scope of the PF's managers' role (assistance in proposal development and monitoring), various local agents can be contracted to provide this (for example IDIL, or the provincial agricultural extension services) on a direct contract basis.

b) Consortium proposals for small businesses through privatization

The current privatization process may present certain opportunities for groups of target group demobilized soldiers to set up small businesses, mainly in the agricultural production sector, since industrial production and management skills are expected to be rare among the demobilized.

A potentially viable set-up would be a joint-venture between a business firm and various groups of demobilized soldiers (and non-DS) to present to the Government's privatization committee a proposal to acquire and develop a specific public agroindustrial estate. The business firm would take care of the industrial processing and commercialization and would sub-contract with the various groups of demobilized soldiers (and non DS) to act as preferred suppliers of the basic agricultural inputs. Each would work separately, as an independent unit, ideally with a land-lot of their own and the necessary tools and equipment. An initiative along these lines is apparently under discussion for the palm plantations in the Zambezia coastal areas.

The PF could provide funding both for the initial design of the project/proposal and for complementary grants towards tool and equipment kits (whenever these are not available from the kits and training fund).

Again, grant volume should be in line with the average and maximum values of PF grant-per-DS.

One interesting additional project component to explore is the co-ordination of small groups of demobilized soldiers for small business schemes with an ex-officer (or officers), especially in such areas as transport services, auto mechanics and security services.

Outline 4

Scholarship and short-course training fund

A specific portion of the PFs should be made available for some types of education support schemes for demobilized soldiers which will not be covered by the proposed training fund. These could be:

- Scholarships for tertiary education of demobilized soldiers who wish to continue their schooling (in some cases, it could cover the last years of secondary level studies). Obviously, though this option should be promoted as much as possible, these scholarships should be subject to the standard procedures both for initial access (merit and, possibly, opposition) and for continuance (minimum grades).
- Basic literacy (or refresher) courses, either as massive stand-alone programs or in conjunction with skills training. In this area, it is imperative that there be an important government counterpart both in infrastructure and in human resources, but the PFs could act as catalysts to start off these programmes. Specifically included in this area of elementary level education, are basic math refresher courses for microbusiness and the like (see proposal by Wenela in Maxixe).

- **Very short training courses not covered by the existing training and kits fund, such as driving courses (including the purchase of the license) and basic machinery operation, where not provided by the machine supplier (sewing machine, grinding mill).**

Additional areas to explore:

- **Management and technical assistance services provision for small-business start-ups: stand-alone grants for demobilized soldiers business start-ups to receive these services from NGOs, private firms or other qualified entities (initially by direct grant to these institutions, later on could experiment with voucher system).**
- **Self-help groups/ various cultural initiatives: different types of trauma-healing cultural initiatives should be explored, either with the churches, the veterans' self-help groups or directly with community organisations. Examples: community construction of war monuments as rituals of acknowledgement of past suffering, group therapy initiatives under religious auspices, etc.**
- **Conflict-resolution fund: set up at CORE levels a "fund-within-the-fund" for quick-action response to crisis situation with demobilized soldiers.**

Annex 3
Demobilization/Reintegration Support Project, 656-0235
ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

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. *N/A.*

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). *N/A.*

3. Congressional Notification

a. General requirement (FY 1993 Appropriations Act Sec. 522; 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 Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)? *Yes.*

b. Notice of new account obligation (FY 1993 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? *Yes.*

c. Cash transfers and nonproject sector assistance (FY 1993 Appropriations Act Sec. 571(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? *N/A.*

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? *Yes.*

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? *N/A.*

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations 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 AID Handbook 3 for guidelines.) *N/A.*

7. **Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or 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)? *N/A.*

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? *N/A.*

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. *Waiver of contribution granted.*

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? *No.*

c. **Separate Account** (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has AID (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 AID 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 AID taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(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? **N/A -- No local currency generated.**

12. Trade Restrictions

a. **Surplus Commodities** (FY 1993 Appropriations Act Sec. 520(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? **N/A.**

b. **Textiles (Lautenberg Amendment)** (FY 1993 Appropriations Act Sec. 520(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 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? **No.**

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): 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? **No.**

14. PVO Assistance

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): 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 AID, and is the PVO registered with AID? **N/A.**

b. **Funding sources** (FY 1993 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? **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 AID 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). **Will be transmitted.**

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through AID 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 AID 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? **Yes.**

17. **Women in Development** (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased? **Yes.**

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. **No.**

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

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 of coercive abortion or involuntary sterilization? **No.**

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

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

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509): Are steps being 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. **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? **No.**

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? **N/A, this is a grant to a PIO whose procurement policies will govern the grant.**

b. **U.S. procurement** (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or

developing countries except as otherwise determined in accordance with the criteria of this section? *N/A, grant to a PIO.*

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? *N/A.*

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.) *N/A.*

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.) *No.*

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 for 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? *Yes.*

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 undue interference with domestic programs? *N/A.*

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? *N/A.*

i. **Termination for convenience of U.S. Government (FY 1993 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? *Yes; grant has termination clause.*

j. **Consulting services (FY 1993 Appropriations Act Sec. 523):** 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)? *N/A.*

k. **Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through AID 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 AID specifications use metric units of measure from the earliest programmatic stages, and from the early documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? **Yes.**

l. 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? **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? **N/A.**

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? **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? **N/A.**

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? **N/A, not established solely by U.S. contributions.**

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? **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? **N/A.**

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? **N/A.**

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? **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? **Yes.**

29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? **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? **N/A, DFA-funded.**

31. **Military Personnel** (FY 1993 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? **Yes.**

32. **Payment of U.N. Assessments** (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? **Yes.**

33. **Multilateral Organization Lending** (FY 1993 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)? **Yes.**

34. **Export of Nuclear Resources** (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes.**

35. **Provision of Assistance to Population** (FY 1993 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? **Yes.**

36. **Publicity or Propaganda** (FY 1993 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? **No.**

37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any AID contract and sub/contract, and sub/contract 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? **Yes.**

38. **Exchange for Prohibited Act** (FY 1993 Appropriations Act Sec. 565): 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? **No.**

39. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? **No.**

40. **Impact on U.S. Jobs** (FY 1993 Appropriations Act, Sec. 599):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? **No.** manner that would likely

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No.

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1993 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? *N/A.*

2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? 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)? Yes, in small projects.

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. *To a limited extent only. The project will work at the level of commodities and assist in the reintegration of former soldiers into community economic and social life.*

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? Yes.

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 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. *The program is directed at the reintegration of soldiers into mostly rural communities through the provision of training and other assistance aimed at increasing their productivity and value to the community.*

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)? **No, waiver has been granted.**

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? **N/A.**

9. Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):

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? **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? **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? **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? **N/A.**

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? **N/A.**

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? **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? **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? **Yes.**

11. Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563): 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)? **None.**

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? No.

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. **AID Regulation 16:** Does the assistance comply with the environmental procedures set forth in AID Regulation 16? Yes.

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 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? N/A or No.

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? No.

d. **Sustainable forestry:** If assistance relates 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? *N/A.*

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable AID regulations requiring an environmental impact statement for activities significantly affecting the environment? **Yes but not applicable since categorical exclusion applies.**

14. **Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):** 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? *N/A.*

15. **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 oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource 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. *N/A.*

16. **Deobligation/Reobligation (FY 1993 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? *N/A.*

17. **Loans -- N/A.**

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?

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?

18. **Development Objectives (FAA Secs. 102(a), 111, 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?
Significant.

19. 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. **The main purpose of the program is to assist ex-combatants, their families, and their communities in the reintegration process. The main tool will be training and other assistance to establish economically viable activity in the informal sector.**

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. **Not at all.**

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. **Negligible.**

20. 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. **N/A.**

21. 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. **Project resources will strengthen nonformal education. No advanced education is envisaged.**

22. 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;

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

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

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

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. N/A.

23. **Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)):** If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? N/A.

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY -- N/A

1. **Economic and Political Stability (FAA Sec. 531(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(e)):** Will this assistance be used for military or paramilitary purposes?

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 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).)

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 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).)

5. Cash Transfer Requirements (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 571(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?

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 AID entered into an agreement with that 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 AID and that government to monitor and account for deposits and disbursements?

c. U.S. Government use of local currencies: Will all such local currencies also be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes?

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?

6. Capital Projects (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.)

Annex 4

**MEMORANDUM OF AGREEMENT
BETWEEN
THE DEPARTMENT OF DEFENSE
AND
THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

August 12, 1994

I. Purpose

The purpose of this agreement is to transfer funds for obligation into an existing project agreement between the United States Government (USG), acting through the U.S. Agency for International Development (USAID), and the Government of the Republic of Mozambique.

Pursuant to the National Defense Authorization Act For Fiscal Year 1994, section 306, the Department of Defense (DoD) is authorized to transfer \$5,000,000 for activities to support the clearing of land mines for humanitarian purposes, including the clearing of land mines in areas which support refugees repatriation programs that are on-going in Mozambique. DoD is authorized, under the Economy Act, to enter into agreement with major organizational units within the USG for services, as long as funds are available; a decision is made that it is in the interest of the United States; that such agency or unit is able to provide the service; and that services cannot be provided as conveniently or inexpensively by the requesting agency. By means of this Memorandum of Agreement (MOA), USAID agrees to execute projects and programs on behalf of the Secretary of Defense, under the authority of the Economy Act, for specific purposes enumerated below.

II. Background

The transfer of these funds is a more cost effective expenditure of DoD funds than generating an independent contract. Our intent, therefore, is to provide USAID, through an Economy Act transaction, the funds needed to extend the contract for the ongoing demining project in Mozambique to clear up to an additional 2,500 kilometers of road.

III. Scope Of Work

The funds transferred will be obligated during Fiscal Year 1994 to USAID grant number 656-0235 and, as soon as possible thereafter, committed to a contract between USAID and a U.S. firm to conduct demining operations in Mozambique. The contract statement of work will call for the clearance of a length of road to be negotiated by USAID (in addition to that which is being cleared under the existing USAID contract for demining services). The contract statement of work also will call for the training and equipping of Mozambican demining personnel. USAID will manage the contract in the context of other demining activities being undertaken in Mozambique, in particular the planned construction of the UN training and operations facility.

IV. Duration of Agreement

This Agreement shall remain in effect until the completion of the services, as specified within this agreement.

V. Method of Reimbursement

Upon ratification of this agreement by DoD and USAID, DoD will immediately obligate \$5,000,000 to USAID in accordance with section III of this agreement.

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VI. Responsibilities

a. DoD Responsibilities

- (1) Ensure funds are available to cover the cost of requested demining operations.
- (2) Execute the reimbursement of funds (not to exceed \$5,000,000) to the U.S. Agency for International Development to pay for work requested.
- (3) Provide USAID with a designated project officer and assistant project officer to consult with the USAID contracts officer and Contract Officer Technical Representative (COTR) concerning the work described in section III of this agreement. The DoD project officer will not directly interface with the contractor unless specifically approved, in writing, by the COTR, and then only on a case by case basis.

b. U.S Agency for International Development Responsibilities

- (1) Receive reimbursement from DoD to cover the cost of the work requested.
- (2) Ensure all funds received are properly committed and obligated for demining operations as defined in the Scope of Work, and that such expenditures conform to applicable federal, congressional, and statutory guidelines.
- (3) Secure new contractual agreement or modify the current USAID contract (656-0247-C-00-3036-00) to ensure the clearance of up to an additional 2,500 kilometers of road in accordance with the specifications of the reference contract, the Federal Acquisition Regulation (FAR), and applicable agency supplements.
- (4) Secure an appropriate new contractual agreement or modify the current USAID contract (656-0247-C-00-3036-00) to train, equip, and support deminers; train explosive sensing dogs and their handlers to locate land mines; and subsequently destroy the land mines pursuant to terms of the contract. As negotiated by the USAID contracts officer, the contractor will be required to leave in place a fully functional demining training and operations facility; an estimated 36 trained mine detection dogs and trained Mozambican handlers; an estimated 120 trained Mozambican deminers who operate with the mine dogs to implement the integrated demining program; a support system that will service the deminers, mine dogs and dog handlers in remote areas of Mozambique; and the equipment acquired by the contractor as specified by the contract. As directed by USAID, the contractor may be required to support the establishment of the planned UN training and operations facility in Mozambique, rather than establish a separate demining facility. In general, USAID will manage the contract in the context of the other demining activities being undertaken in Mozambique.
- (5) Execute and maintain accurate records pursuant to the terms in Section VII of this agreement.
- (6) Provide billing and supporting data to DoD pursuant to the terms in Section XI of this agreement.
- (7) Forward copies of all receipts, reports and other documents required for submission by the contractor that pertain to services performed in support of this MOA.
- (8) USAID will have the responsibility to provide a COTR in Mozambique for the purpose of continued inspection and acceptance of work in progress prior to final inspection and acceptance.

VII. Records

DoD and USAID shall maintain adequate records on expenditures for projects, tasks and administrative cost for the purpose of accurate and timely reporting on this humanitarian assistance program. USAID will provide DoD periodic (semiannual) progress reports concerning this project and will make records available to DoD concerning contract expenditures, upon request.

VIII. References

USAID SF 26 (Award/Contract), dated September 27, 1993.

IX. Financial Points of Contact**DoD/OASD(SO/LIC)**

Mr. John Russ
OASD(SO/LIC)HRA/P&B, (703)614-9543
The Pentagon, Washington, D.C. 20301

DoD/WHS

Mr. Bob Miller, (703)614-0990
Washington Headquarters Services
The Pentagon, Washington D.C. 20301

USAID/Finance

Ms. Joanne Dockter
M/FM/A, (202)663-2067
Washington, D.C. 20523

X. Project Officers**DoD**

LTC Rafael DeJesus, Project Officer, OASD(SO/LIC)HRA, The Pentagon, Washington, D.C. 20301. Phone 703-693-9848 or (DSN) 223-9847.

USAID

Timothy Born, DRSP Project Manager Maputo, Mozambique
Jack McCarthy, DRSP Assistant Project Officer, Maputo, Mozambique

XI. Funding

(1) The Department of Defense will reimburse the USAID for the above services during Fiscal Year 1994 not to exceed \$5,000,000.

(2) Request for payment must include the following accounting classification, in its entirety:
9740100.1120 3355 2599 S49447 DSAL40092.

(3) Send invoice/billing plus supporting documentation to:

Director of Budget and Finance Washington Headquarters Services
Pentagon, Room 3B269
Washington, D.C. 20301-1155

(4) DoD will make remittance to:

USAID Cashier
Room 603, SA-2
M/FM/CAR
Washington, D.C. 20523-0208

XII. Authorization

[Signature]
Patrick L. Irvin
Deputy Assistant Secretary of Defense
Humanitarian and Refugee Affairs
OASD (SC/IC) HRA

8/12/94
Date

[Signature]
Joe Friedl
Director, Budget & Finance
Washington Headquarters Services

8/18/94
Date

USAID
[Signature]
John F. Hicks
Assistant Administrator Bureau For Africa
USAID/A/A/R

8/23/94
Date

**INITIAL ENVIRONMENTAL EXAMINATION
OR
CATEGORICAL EXCLUSION**

PROJECT COUNTRY: Mozambique
PROJECT TITLE AND NO.: Demobilization/Reintegration
Support Project(656-023)
FUNDING: FY(a)94-95 US\$25,100,000
IEE PREPARED BY: TBohn, PDM, USAID/Maputo

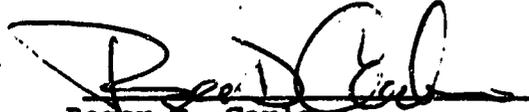
ENVIRONMENTAL ACTION RECOMMENDED:

Positive Determination _____
Negative Determination _____ X _____
Categorical Exclusion _____ X _____
Deferral _____

SUMMARY OF FINDINGS:

Based on the analysis below, the Mission recommends a **Negative Determination** for the Demining component under Reg 16 Sect. 216.2(c)(3) and a **Categorical Exclusion** for the Information and Referral Service component under (Sect. 216.2(c)(2)(i), (viii) and (xiii) of Reg. 16.

APPROVAL:


Roger D. Carlson
Mission Director

CONCURRENCE:


Bureau Environmental Officer:
John J. Gaudet, AFR/ARTS/FARA

APPROVED: _____ ✓
DISAPPROVED: _____
DATE: 8/24/94

CLEARANCE:

GC/AFR: 

DATE: 8/27/94

INITIAL ENVIRONMENTAL EXAMINATION

I. Background

The DRSP was authorized on April 8, 1993, with a total LOP of \$15,000,000 funded from the Africa Disaster Assistance (ADA) account, which did not require a written determination of environmental impact. The components of the original project were: provision of supplies (e.g. generators, pots and pans) to the assembly areas where the soldiers awaited their demobilization; the transport of the demobilized from the assembly areas to their homes, and mine clearance of priority roads.

USAID is now adding \$10.1 million to the program, as follows: \$5,000,000 in DOD funds to continue mine clearance. \$5,100,000 in DFA funds for a grant to the International Organization for Migration (IOM) for an Information and Referral Service (IRS) for the demobilized, and for a provincial fund for small projects in support of social and economic reintegration of the soldiers. This IEE covers the activities under the additional funding.

II. Activity Description and IEE References

A. Mine Clearance:

USAID is funding a contract with a U.S. firm to clear about 2,000 kilometers of road and plans to increase the scope to cover an additional 2,5000 kilometers. The operation is and will be, limited to existing, usually abandoned (because of the danger), roads that are considered high priority for the re-establishment of commercial and social links. The technical approach uses dogs, who alert by scent to explosives, followed by mine detectors, which fix the exact location of the mine, old bullet or unexploded ordnance, and finally by trained mine clearers who expose the thing detected. If it is a mine, it is exploded in situ. This procedure is applied to the roadbed and three meters from the verges, where there is a defined bed; four meters from either side of the center line where there is not. The direct environmental impact of the operation is negligible. Traffic on the roads increases, usually from nothing at all, after the mine clearance, both to avoid lengthier detours and to get to previously inaccessible areas. The roads are scattered around the country and are usually unpaved. In some cases, road construction/rehabilitation, funded by USAID under a separate project or other donors, follows the clearance.

The Programmatic Environmental Assessment of USAID/Mozambique dated September 29, 1993 reviewed the Mission's plans for demining and determined that:

Based on our analysis, de-mining and sanitation activities are not anticipated to have significant

negative environmental impacts in the short-term or long-term. Therefore, any de-mining or sanitation project proposals received by the Mission can be placed in Category 1. Activities placed in this category can be considered for exclusion under the Foreign Assistance Act.

However, due to the obvious hazards of demining, the Mission recommends a Negative Determination under Reg 16 Sect. 216.2(c)(3) for activities with the potential for some indirect negative impacts which are not expected to be significant. As such, the demining activity will be monitored by the Mission Environmental Officer and the Project Officer.

B. Information and Referral Service/Provincial Fund

The Information and Referral Service component funds, through a grant to the International Organization for Migration (IOM), offices in all ten provinces and the city of Maputo. The office serves three functions: 1) to provide basic information to the ex-soldiers, e.g. where they might apply for jobs, what to do if they lose the vouchers for their re-establishment pay; 2) to administer a provincial fund for reintegration programs; 3) to contract with training institutions, with funding from an ILO-managed program, for training. The Provincial Fund provides financing for small projects to assist in the economic and social reintegration of the soldiers. These will range in cost from \$100 to \$25,000, with approximately \$200,000 made available in each province. The projects include: apprenticeships through local employers, small construction programs for community clinics, schools, and possibly farm-to-market roads, and other programs that are determined to support the economic reintegration of the ex-combatants. The projects are to be identified and administered by the provincial IRS, working through local communities, NGOs and businesses. USAID is an important, but by no means the only donor, to the IRS and Provincial fund programs, with a contribution of \$5.1 million in DFA funds for both programs (the likely split, depending on other donor contributions is \$3 million for the IRS and \$2.1 million for the fund).

This component qualifies as a Categorical Exclusion under Regulation 16, (Sect. 216.2(c)(2)(i), (viii) and (xiii) which excludes subprojects or grants for training programs, controlled experimentation and research, programs involving nutrition and health care and institutional support to PVOs.

III. Conclusion and Recommendation

Based on the foregoing, the Mission recommends a Negative Determination for the Demining component under Reg 16 Sect. 216.2(c)(3) and a Categorical Exclusion for the Information and Referral Service component under (Sect. 216.2(c)(2)(i), (viii) and (xiii) of Reg. 16.

Annex 6



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SEP 14 1994

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/SA, Joseph B. Goodwin

SUBJECT: Demobilization/Reintegration Support Project - Waiver
of the 25% Host Country Contribution

Problem: Your approval is required to waive the requirement of Section 110 of the Foreign Assistance Act of 1961, as amended (FAA), that the host country contribute a minimum of 25% of the total costs of Mozambique's Demobilization/Reintegration Support Project (DRS) (656-0235).

Background: USAID/Mozambique has been implementing the Demobilization/Reintegration Support Project since April 1993, in an effort to supply timely support for a crucial element of the peace process in Mozambique. Initially funded with Sub-Saharan Africa Disaster Assistance (ADA) funds, the project assists the demobilization of the opposing armies by providing supplies and health services to demobilization "assembly areas" and, thereafter, offering information, job referrals, start-up farming kits and other employment opportunities so that ex-soldiers will become peaceable members of a civilian society.

Now that demobilization is well underway, the Mission intends to increase DRS Project funds from non-disaster sources such as the Development Fund for Africa and raise the life-of-project level from \$15,000,000 to \$25,100,000. This increase in Development Assistance funds would, absent a waiver, require the Government of Mozambique to contribute up to \$2,525,000 in cash or in kind to the Project. Mozambique, a relatively least-developed country (RLDC), lacks the resources to make such a contribution and is eligible for waiver of the requirement. As demonstrated below, the Government is committed to the DRS project and provides support to the extent of its capacity.

Discussion: FAA Section 110 imposes the requirement that a recipient country contribute at least 25 percent of the costs of a project financed with Development Assistance (including DFA) funds. FAA Section 124(d) authorizes the President to waive this requirement on a case-by-case basis for relatively least-developed countries. A.I.D. Handbook 3, Appendix 2G sets forth the criteria for consideration of a waiver request:

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1) The country is eligible for consideration if it is on the United Nations General Assembly RLDC list or Development Assistance Committee low-income country list.

2) An eligible country may obtain waivers on a project-by-project basis if it can be demonstrated that a) the country suffers severe financial constraints; b) it is nevertheless committed to the project and will contribute to the extent possible; c) the project is both desirable and capable of being sustained without significant financial contribution by the host country; and d) other relevant considerations.

Mozambique and the Demobilization/Reintegration Support Project fulfill the cited requirements.

First, the country is eligible for waiver as a Relatively Least Developed Country based on the United Nations General Assembly List and on the most recent (June 1993) DAC list derived from the U.N. source.

Second, the country suffers from financial constraints that preclude substantial financial participation in the project. Generally ranked the poorest country in the world according to both macroeconomic and social indicators, Mozambique's per capita GDP is estimated to be about \$80 per year; even more alarming, the Government of Mozambique depends directly on donor grants and loans for about 70 percent of its budget resources. In the context of Mozambique's ongoing structural adjustment program, the demands of the post-war social and economic recovery enormously exceed available government resources.

Third, the country has already demonstrated active commitment to the project through the first year of implementation and contributed to its achievement by contributing \$20 million in local currency for the payment of a re-establishment allowance to all demobilized soldiers.

Fourth, failure to continue the DRS project for lack of a host country contribution would work a serious disservice to Mozambicans and to the developing USAID program in Mozambique. The project has already provided critical assistance in the first phase of demobilization by transporting soldiers home and equipping assembly areas. The next step -- assistance to the social and economic reintegration of the soldiers into their communities -- will be carried out using local, usually non-governmental resources. Additional host government assistance is not required to carry out these activities.

In short, waiver of the host country contribution for the DRS Project is fully justified by Mozambique's financial straits, by the country's proven willingness to commit time, personnel and

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other significant resources to the Project's objectives, and by the viability and importance of the Project itself.

Authority: Pursuant to FAA Section 124(d) and Delegation of Authority 403, the Assistant Administrator is authorized to waive the host country contribution requirement of FAA Section 110 on a case-by-case basis.

Recommendation: That you approve a waiver of the 25 percent host country contribution requirement of FAA Section 110 for the Demobilization/Reintegration Support Project for Mozambique, (656-0235).

APPROVED

J. F. Hiker

DISAPPROVED _____

DATE

9/16/94

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Denobilization/Reintegration Support Project: Waiver of 25% Host Country Contribution

Clearances:

USAID/Maputo/DRS, T. Born (draft)
USAID/Maputo/PPA, C. North (draft)
USAID/Maputo/DD, J. Smith (draft)
AFR/SA:JHale JH
GC/AFR:MAKleinjan MAK
DAA/AFR:CPeasley CP

Drafted by RLA, D. Alexander

Ch