

PD ABP- 481

94958

MOZAMBIQUE
PRIVATE SECTOR
SUPPORT TECHNICAL
ASSISTANCE

656-0218

(PP)

AMENDMENT 4

APRIL 1995

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE A = Add B = Change *C = Delete Amendment Number FOUR	DOCUMENT CODE 3
2. COUNTRY/ENTITY MOZAMBIQUE		3. PROJECT NUMBER [656-0218]	
4. BUREAU/OFFICE		5. PROJECT TITLE (maximum 40 characters) [Private Sector Support Technical Assistance]	
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) 12/31/97		7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1,2,3, or 4) A. Initial FY 90 B. Quarter 3 C. Final FY 95	

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

A. FUNDING SOURCE		FIRST FY			LIFE OF PROJECT		
		B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID Appropriated Total		598		598	15,300		15,300
(Grant)		(598)	()	(598)	(15,300)	()	(15,300)
(Loan)		()	()	()	()	()	()
Other U.S.	1.						
	2.						
Host Country						3,375	3,375
Other Donor(s)			150	150			
TOTALS =>		598	150	748	15,300	3,375	18,675

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECHNICAL 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) SS	144	070		13,500		1,800		15,300	
(2)									
(3)									
(4)									
TOTALS =>				13,500		1,800		15,300	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

011 019 963 9

11. SECONDARY PURPOSE CODE

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

A. Code BR BL BF RDEV
 B. Amount 6,000 500 500 7,300

13. PROJECT PURPOSE (maximum 480 characters)

To improve incentives for private sector agriculture production in order to enhance the private agricultural sector's production and income.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 11 94 02 94								15. SOURCE/ORIGIN OF GOODS AND SERVICES ___ 000 ___ 941 ___ Local <u>X</u> Other (Specify) ___ 935(DFA)			
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 8 page PP Amendment)

LOP funding is hereby increased to \$15.3 million to further extend and expand activities in support of policy reforms implemented under the Private Sector Support Program (656-0208).

[Signature] 1/28/95
 George Jenkins, Controller

17. APPROVED BY	Signature Roger D. Carlson <i>[Signature]</i>	Date Signed MM DD YY 14 28 95	18. DATE DOCUMENT RECEIVED IN USAID/W, OR FOR USAID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 0 17 13 95
	Title Mission Director		

The "Illustrative Financial Plan" in Annex 1, The Amplified Project Description, as amended, is superseded by the following Revised Illustrative Financial Plan.

Revised Illustrative Financial Plan
April 1995

CATEGORY	Previous Obligations	This Obligation	Life of Project Total
TECHNICAL ASSISTANCE, POLICY RESEARCH AND ANALYSIS			<u>11,582,000</u>
-Long-term research	8,142,000	800,000	8,942,000
-Short-term analyses	640,000	0	640,000
-Policy advisors to GRM	1,000,000	(1,000,000)	0
-Agricultural Recovery Program	0	2,000,000	2,000,000
TRAINING	160,000	0	<u>160,000</u>
IMPLEMENTATION AND IMPACT MONITORING			<u>2,592,000</u>
-Commodity Import Program Mgt	759,000	0	759,000
-Policy/Impact Monitoring	1,554,000	0	1,554,000
-Project Mgt	279,000	0	279,000
EVALUATION AND AUDIT	368,000	0	<u>368,000</u>
TOTAL	12,902,000	1,800,000	14,702,000

B

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/MOZAMBIQUE

Subject: Private Sector Support/Technical Assistance Project (PSS/TA, 656-0218) Amendment to increase the Life-Of-Project (LOP) funding.

From: Richard D. Newsberg, AFR 

Action Requested: Your approval is requested to amend the PSS/TA project authorization so as to increase the LOP funding by \$1.8 million, from \$13.5 million to \$15.3 million.

Discussion: The purpose of this project authorization amendment is to accommodate the continuation of the ongoing activities that are already approved and presently funded by the PSS/TA project, without modifying the project purpose. Through Project Implementation Letter No. 3, USAID and the Government of the Republic of Mozambique (GRM) agreed to the following:

- (i) applied research aimed at developing improved strategies and policies to assure food security which is carried out by Michigan State University (MSU);
- (ii) the ongoing activity of applied research and policy development on land tenure reform carried out by the Land Tenure Center (LTC) at the University of Wisconsin;
- (iii) the Agriculture Recovery Program (ARP) for areas within Nampula province, which will rehabilitate smallholder cashew production that was seriously affected by Cyclone Nadia;
- (iv) continued implementation management and project impact monitoring activities, including additional short-term policy analysis, which are contracted under the project;
- (v) training activities related to promoting the private sector and the policy reform agenda; and,
- (vi) technical advisors to the GRM and USAID in the key policy reform area of food security and increased rural income.

The following discussion expands on activities (i), (ii), and (iii), that will be undertaken during the two additional years of the project extension, and describes their relationship to the PSS/TA policy objectives.

A. Food Security - Agricultural Market Information System

This activity supports two of the PSS/TA policy objectives: to maximize the liberation of the agricultural pricing system and, for crops where full deregulation may not be presently feasible, to institutionalize procedures for basing agricultural prices on world parity prices; and to reduce

restrictions on competitive private sector trade and transportation serving agricultural producers in Cabo Delgado, Nampula, and Zambesia provinces.

PSS/TA has supported the program of applied food security research undertaken by MSU in collaboration with the Mozambican Ministry of Agriculture (MOA) since 1990. The program has centered on (i) establishing a pilot Agricultural Market Information System (SIMA) to monitor prices and supplies of key commodities at producer, wholesale, and consumer transaction levels in five of Mozambique's ten provinces, and then to analyze and widely disseminate this information; (ii) analysis of rural household characteristics, welfare, and constraints, based on surveys in three districts of Nampula Province and centering on household food security; and (iii) a range of related inquiries to understand market changes observed, including trader and miller surveys, wholesale market transaction surveys, analysis of market interactions of food aid, commercial imports, and domestic production, and others.

The publications and seminars resulting from the research have made a significant contribution to the development of Mozambican and donor agency understanding of pricing and related marketing constraints. The MOA/MSU work has been a particularly important contributor to USAID's impact monitoring and policy dialogue activities under both the PSSP and the P.L. 480 Title III food aid program.

This amendment will provide funding to extend the MOA-MSU work for an additional 24 months, in order to:

- Continue research and analysis support to the pilot market information system, expand it modestly to cover additional observation sites in central and southern provinces, and institutionalize the system within an appropriate Mozambican institution.
- Conduct additional policy-oriented research in Maputo and Beira (and possibly in another site), on the organization and performance of food markets, with particular emphasis on understanding the developing informal sector.
- Further develop, through analysis and policy dialogue, preliminary proposals on reforming the programming of commercial food aid to support market development.
- Conduct additional analyses based on the rural household survey data to support continuing policy dialogue on food security issues.
- Assist the Ministry of Agriculture to develop a program for additional rural household research to better understand key issues such as household food security ("coping") strategies, the sources of rural income, the structure of rural labor markets and off-farm enterprise,

the structure and performance of the rural marketing system, and/or factors affecting smallholder access to land.

- Create a long-term position in Mozambique for an Agricultural Policy Analyst to be filled by a senior MSU faculty member.

B. Land Tenure and Governance

This activity supports the PSS/TA objective to develop and initiate the implementation of an action plan which includes supporting policies for rational land redistribution, titling and registration to redistribute state farms to commercial and family farmers.

Since 1990, PSS/TA has supported a series of research activities related to state farm divestiture and land policy undertaken by the Land Tenure Center (LTC) of the University of Wisconsin in collaboration with the MOA and other agencies in Mozambique. The specific questions of whether and how divestitures of state farm lands to private farmers are occurring, and what such divestitures mean for agricultural producers and for the economy, have been explored in this research. Subsequently, the research agenda has been enlarged to look into critical questions of how land is allocated between the larger commercial and smallholder subsectors. In spite of the clear need to act, the Land Commission has failed to perform its objective to make policy recommendations relating to land issues. In response to public and donor pressures, the GRM has agreed in the Consultative Group process to address the concerns raised in past research. In March 1995, the Minister of Agriculture officially requested the support of LTC in drafting a new Land Code for the country.

This amendment will provide funding for the LTC work through April 1996. Under this activity, LTC will assist the GRM to revise the Land Code and the myriad conflicting regulations that are the source of confusion in allocating land and settling disputes. To the extent required, LTC will also pursue new avenues of research to be determined jointly by the GRM, LTC and USAID that will propose models for institutional and legal reform, and enhance national awareness of land tenure and local governance in Mozambique. In the process, LTC will build research capacity at the University of Eduardo Mondlane (UEM) and other institutions through training and participation in applied research. This activity will establish a broad-based Mozambican platform to take the lead on land tenure issues.

C. Agriculture Recovery Program

This program will support the PSS/TA policy objective of demonstrating the effectiveness of private sales and service networks for providing agricultural inputs to commercial and

family farmers throughout the country.

An Agriculture Recovery Program (ARP) will be funded by the project to mitigate the destructive effects caused by Cyclone Nadia. This program, requested by and developed jointly with the Secretary of State for Cashew in the Ministry of Agriculture and Fisheries, will target the cashew growers who lost 50% or more of their cashew trees to the devastating storm. The program will stimulate policy reform to increase the production, marketing, processing, and export of cashews.

This program responds to the Nampula Provincial Governor and the Secretary of State for Cashew's request to use the private sector as the leader for cashew recovery and extension. The principle objective of this emergency program encompassing administrative posts in thirteen (13) districts in Nampula Province will be to re-establish cashew plantings and production that was lost in the cyclone using private sector companies such as Joao Ferreira dos Santos, the Entrepoto Group, and Lomaco. The cooperating private companies have an interest in providing these services because they either already or intend to market cashews, and they already have established extension networks in the area to support cotton farmers, many of whom also produce cashews.

ARP is designed to assist cashew growers by providing seed stock, technical assistance and the rehabilitation of damaged trees to improve yields and reduce disease. In addition, ARP will provide peanut seeds to the cashew growers that will complement the planting of cashew trees and provide interim short-term income. Importantly, under the ARP the companies will establish a program to train smallholder cashew producers, company employees and contract farmers, and employees of the State Secretariat of Cashew and Ministry of Agriculture in improved techniques of cashew production. In addition, the companies will establish cashew tree nurseries and orchards to supply farmers with improved planting materials in the future. Expected to begin in January 1995 and cover two production cycles, the program expects to benefit approximately 260,000 families among all the administrative posts of the thirteen districts.

In the Project Agreement Amendment signed with the Government of the Republic of Mozambique the total amount of the Agreement will increase from \$12.902 million to \$14.702 million. This is because USAID, early in the project, directly obligated funds in the amount of \$549,008.

Authority: Section 4 of Delegation of Authority 551, as amended, authorizes you to amend project authorizations to increase LOP funding, provided that the total authorized LOP funding does not exceed \$30 million, present significant policy issues or deviate from the original project purpose, or require issuance of waivers that cannot be approved by you. None of these restrictions applies here.

Recommendation: That you sign and thereby approve 1) this amendment of the PSS/TA project authorization to provide for an increase in LOP funding of \$1.8 million, from \$13.5 million to \$15.3 million, and 2) the Project Data Face Sheet.

Approved:



Disapproved:

Roger D. Carlson
Mission Director

Date:

4/28/95

PROJECT AUTHORIZATION AMENDMENT NO. 4

Name of Country: Mozambique
Name of Project: Private Sector Support
Technical Assistance
Number of Project: 656-0218

1. Pursuant to the Foreign Assistance Act of 1961, as amended, and the provisions of the appropriations heading "Sub-Saharan Africa, Development Assistance" contained in the Foreign Operations, Export Financing, and Related Programs Appropriations Acts of 1989, and subsequent years, the project component of the Private Sector Support Program for the Republic of Mozambique was initially authorized on August 24, 1989 and amended on March 18, 1991, on April 15, 1992, and on September 11, 1992. That Project Authorization as previously amended is hereby further amended as follows:

In paragraph 1, the phrase "not to exceed \$13,500,000" is replaced with the phrase "not to exceed \$15,300,000" and the phrase "Except as A.I.D. may otherwise agree in writing, the planned life of the project is six years from the date of initial obligation" is replaced with the phrase "Except as USAID may otherwise agree in writing, the planned life of the project is eight years from the date of initial obligation."

2. Except as amended herein, the referenced Project Authorization as previously amended remains in full force and effect.



Roger D. Carlson
Director, USAID/Mozambique

Date: 4/28/95

cleared: MAlexander, RLA by e-mail, 4/27/95