

UNCLASSIFIED

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 1977

**ANGOLA, CAPE VERDE, GUINEA-BISSAU
MOZAMBIQUE, and SAO TOME/PRINCIPE**

BEST AVAILABLE

**DEPARTMENT
OF
STATE**

AUGUST 1975



ANNUAL BUDGET SUBMISSION FY 1977

**Angola, Cape Verde, Guinea-Bissau
Mozambique, and Sao Tome/Principe**

July 1975

I. CERTIFICATION OF VALIDITY OF DAP

A DAP has not been prepared for this area nor does the current situation permit an effective analysis. While the general information contained in the CP for Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome/ Principe basically remains valid, it is necessary to update developments in Portuguese Speaking Africa since the preparation of the CP, particularly since a number of them may affect future A.I.D. activities in these countries.

All of the territories have now attained full independence with the exception of Angola, which is slated to receive its independence on November 11, 1975.

CAPE VERDE ISLANDS

Cape Verde became fully independent on July 5, 1975. On June 30, A.I.D. signed agreements with the Transitional Government providing for a \$1.0 million grant to assist the newly independent state to procure and distribute food for the needy and a \$3.0 million loan for an employment-generating, agriculture-oriented, rural works program. The Bureau plans to obligate another \$1.0 million in grant funds in the first quarter of FY 1976 also from the special appropriation to support the food-for-work and distribution program. With the obligation of the additional \$1.0 million, all of the \$5.0 million special appropriation by Congress for the Cape Verde Islands pursuant to Section 496 of the FAA will have been obligated.

FY 1976/77 Program - The Government of Cape Verde has advised Bureau personnel of its intention to request the U.S. Government for additional program support in FY 1976. We believe such support can best be met through PL-480 Title II food aid. AFR/RA has been encouraging both the Church World Services and/or the Catholic Relief Services to initiate a Title II feeding program in the Islands by the second quarter of the fiscal year. If this is not arranged, since much of Cape Verde's imports are food commodities, A.I.D. is exploring the possibility of providing Title II food assistance on a government-to-government basis.

In FY 1976 we plan to provide DG funding to continue support of the GOCV's agriculture development (rural works) program. Furthermore, we believe that assistance in drylands agriculture (research, demonstration, training) and plant protection could have long range benefits and plan project design assistance in FY 1976. Manpower training is being arranged through the regional development training program with AAI. In FY 1977 we anticipate continuing the rural works and Title II programs and plan to commence a small but integrated agricultural development activity.

GUINEA-BISSAU

Guinea-Bissau was the first of Portugal's African territories to gain its full independence (September 1974). The Government's first

development priorities remain the improvement of agricultural production and the resettlement of 100,000 to 200,000 refugees who were living in neighboring countries during the eleven-year war of independence. In March 1975 at the request of the Government of Guinea-Bissau, the UN High Commissioner for Refugees addressed an appeal to 51 nations for help in resettling some 50,000 refugees from Senegal. In response to the UNHCR appeal, A.I.D. obligated \$1,000,000 of the special funds authorized by Congress for Portugal and its territories in Africa. The GOGB gratefully acknowledged this assistance. Direct bilateral assistance from the U.S. has not been requested but we expect to receive a specific request for assistance in the near future.

FY 1976/77 Program - It is anticipated that the GOGB will request technical and development grant assistance to increase agriculture, particularly rice production and to provide better health care for its rural population. The Government is faced with severe unemployment problems including some 17,000 demobilized soldiers who served in the Portuguese military. There have also been reports of food shortages in Guinea-Bissau as more refugees return home. We anticipate discussing requirements with the GOGB in October 1975 and to see if U.S. expertise in rural agricultural development can be useful. We do not plan to recommend food aid which would be a disincentive to emphasis on domestic food production which has possibilities even for export. However, DG support of an agricultural development (rural works) program is a possibility.

The GOGB has placed manpower training and education high on its lists of priorities. The development training program which A.I.D. is providing through the African-American Institute was very well received.

In FY 1977 it is anticipated that development grant programs in rural agricultural development, and in rural health delivery services will be underway.

MOZAMBIQUE

Mozambique became fully independent on June 25, 1975. Shortly before independence the UNHCR, at the request of the Transitional Government, addressed an appeal to the U.S. and 50 other countries to participate in a \$7.15 million program for the voluntary repatriation, relief and resettlement of refugees and displaced persons in Mozambique. A.I.D. proposes making a contribution of \$850,000 to the UNHCR using all of the grant funds remaining from the special appropriation for Portugal and the Portuguese territories in Africa. Approval is subject to Section 113 notification to the Congress and approval of the Chairman of the Senate Appropriations Committee. Although a spokesman for the Transitional Government indicated in May 1975 that an economic survey team would be welcome following independence, no further discussions on the subject of possible bilateral assistance has taken place. Until diplomatic relations between the U.S. and the new Government

of Mozambique are established, we do not anticipate any further contact with the Government on the question of aid. For the time being, therefore, no program support funds are being earmarked for Mozambique in FY 1976 and a \$5.0 million loan for food production should be considered soft at best. However, our assessment of Mozambique's medium term assistance requirements remains basically unchanged. The Government of Mozambique has assured the U.S. that it wishes to establish friendly and mutually beneficial relations with the U.S. There is no reason to believe that position has changed. However, the role which A.I.D. may play in the future development of Mozambique remains to be seen. It is not unlikely that a request for assistance would come on short notice and that flexibility will be needed in responding to such a request. A possibility exists for a serious balance of payments problem in the event that the GOM imposes sanctions against Rhodesia. In that case a program loan would be justified by the economic effect of a direct loss of over \$30 million in revenue.

Manpower training is possible through the regional program administered by AAI.

SAO TOME/PRINCIPE

The Islands of Sao Tome/Principe received their independence from Portugal on July 12, 1975 under the leadership of the Sao Tome and Principe Liberation Movement. A Government spokesman has indicated that the Government would like to develop a fishing industry and tourism and intends to initiate badly needed land reforms. The Islands' economy is almost entirely dependent on the growing of copra and cocoa for export. Cocoa earnings have been adversely affected by marketing problems and lower prices. Most of its basic food commodities are imported.

FY 1976/77 Program - A.I.D. has agreed to make up to \$100,000 available for scholarships in the U.S. to help develop skilled manpower. It is possible that the new Government may request Title II food aid and/or technical assistance in the course of the fiscal year. A visit by an A.I.D. official is contemplated, probably in November or December 1975.

ANGOLA

The political rivalry and hostility among the three competing liberation groups, particularly the MPLA and the FNLA has increased to such an

extent that Angola is now on the brink of all out civil war. What effect further military clashes among the groups will have on the territory's independence cannot be predicted. The fighting has had adverse effects on the internal economy, perhaps the most serious of which is the stepped-up flight of Portuguese and other white, skilled technicians from the territory. As yet the export of oil from Cabinda, which accounts for about 60% of foreign exchange earnings, has not been affected by the fighting. Fighting in the northern part of Luanda has paralyzed the

capital's industrial production. There have been food shortages and stoppages in the city's power and water supplies. Economic activity in the country, particularly in the cities, has fallen greatly and exports of coffee and diamonds will be sharply lower in 1975.

All three liberation groups view Cabinda as an integral part of Angola. If for any reason Cabinda's oil revenue was lost to Angola, the effects would be disastrous for the balance of payments and would reduce the revenues essential for economic recovery when a viable government assumes power.

FY 1976/77 Program - Early in FY 1976, A.I.D. provided the International Committee of the Red Cross with \$200,000 from disaster relief funds for use in purchasing medical supplies and providing medical assistance to refugees and other victims of the fighting in and around Luanda. A.I.D. anticipates that further disaster relief for refugee assistance, including the possibility of emergency food aid, may be required in the near future. It seems unlikely that the political situation will create a climate where U.S. technical assistance in development areas will be warranted in FY 1976. If a viable government assumes power we anticipate at most a survey of requirements and feasibility studies during the last half of the year. More likely is a major relief and rehabilitation requirement during and immediately after the fighting, perhaps under international auspices. This possible requirement would continue into FY 1977 at which time, if political developments permit, a technical assistance program is anticipated.

II. CENTRALLY FUNDED RESEARCH

Discussions have been held with TAB officials but direct support by their programs has not materialized.

III. PROGRESS: ONGOING GRANT ACTIVITIES

A. Food and Nutrition

1. Agriculture Sector Support (Cape Verde), 655-22-110-002:

This activity was initiated in FY 1975 using loan funds authorized under Section 496 of the FAA for Portugal and the Portuguese colonies in Africa gaining independence. A.I.D. has subsequently asked the Congress to consider an amendment to the FAA that would forgive the liability of the GOCV to repay the loan. The activity will be continued in FY 1976 with Food and Nutrition grant funds.

Project Output: The construction of dikes, retaining walls, aqueducts, roads; land clearing.

Implementation Progress: The initial obligation of funds for this project was made June 30, 1975. Actual project construction has not yet been initiated.

This labor intensive rural works program is designed to improve agricultural production of basic food commodities and includes such activities as the diking of small valleys in order to trap alluvial soils washed down by sporadic torrential rains; terracing of hillsides suitable for irrigated agriculture, and similar agriculture-related projects.

In order to assure rapid implementation of the loan, an A.I.D. team was sent to Cape Verde on July 26, 1975 to explain in more detail A.I.D. procedures regarding procurement, financial reporting and other implementation aspects of the project, to assist the GOCV in preparation of the documentation necessary to meet the Conditions Precedent under the agreement, to negotiate the first implementation letter, and to help the GOCV prepare a request for advance of funds. Estimated total cost of the program is \$16.0 million.

In FY 1976 we plan to provide \$2,060,000 in Food and Nutrition grant funds to continue support of the program. The goal of the project remains the same. However, the list of activities may be revised to include the completion of farm to market roads and the construction of grain storage facilities. Some short term technical assistance may be included as well.

Issues: Obligation of grant funds for the continuation of the project may require a Congressional notification.

2. Agriculture Sector Support (Guinea-Bissau), 657-22-110-002:
(New in FY 1976)

Project Output: It is anticipated that the Government of Guinea-Bissau will request bilateral assistance in the course of FY 1976. We do not know specifically what type of assistance will be requested. However, in view of the severe unemployment problem, the Government's emphasis on increasing agricultural production and the Government's efforts to resettle refugees in rural areas, we are budgeting \$2,455,000 to pay for foreign exchange and local currency costs of an agriculture development program. We expect the program to be labor intensive although the procurement of some agricultural equipment from the U.S. may be required.

B. Education and Human Resources

Development Training for Portuguese Speaking Africa, 659-15-690-001:

Project Output: The project provides for the training of approximately 45 African nationals in the U.S. and 25 in Africa the first

year. Most of the students will start their training in the 1975/1976 school year with an expected training termination date no later than June 1979.

Implementation Progress: A contract was signed with the African-American Institute on May 31, 1975 to implement this project with effect retroactive to January 1975 in order to include organizational work and field trips already undertaken by the contractor. As of June 30, 1975, the Government of Guinea-Bissau had nominated 39 candidates for training in Africa. In Angola, AAI has discussed the training with the Transitional Government and each of the liberation groups participating in the Government. A formula was established under which each liberation movement would nominate 15 candidates for training. Two of the movements have submitted nominations and the third has promised to forward its list of trainees in the near future. The total number of candidates nominated from Angola thus far is approximately 50 students, a number of whom have requested training in the U.S.

The nomination of candidates from the Cape Verde Islands, Mozambique, and Sao Tome/Principe requires action by those governments and further follow-up from AAI staff. It is apparent from the interest shown in the training program by the participating Governments, the number of candidates nominated from Guinea-Bissau and Angola that this activity is addressing a critical problem in these developing countries.

Although implementation of this activity is at a very early stage, AAI, while working under a number of constraints has demonstrated a high degree of efficiency in organizing staff, initiating discussions with government leaders, and working toward placement of trainees by the fall semester of this year. A.I.D. foresees the need to continue this regional training activity at least until U.S. bilateral relations with the newly independent territories are more clearly defined. However, since the number of students who are expected to start training in the U.S. this fall is lower than expected we see no need to program more funds than were requested in the FY 1976 CP (\$485,000). An assessment of contract funding requirements will be made in December 1975 at the time of the first evaluation of progress to date.

Issues: The Government of Guinea-Bissau expressed disappointment that this program does not permit training in Portugal. Interest was also expressed in possible training in Brazil. We recommend that third-country training in Portugal financed from DG funds be approved. AFR/RA will explore with the US AID Mission in Brazil the possibility of developing third-country training

C. Other

Food for Work and Distribution, 655-11-990-001 (Cape Verde):

Project Output: (A determination of the numbers to be fed or the work to be performed has not yet been made. An A.I.D. implementation

team is now in Cape Verde to help with this aspect of the project design. See "Implementation Progress" below).

Implementation Progress: A grant agreement of \$1.0 million was signed with the Transitional Government of Cape Verde on June 30, 1975. Implementation of the project has not yet begun. However, an A.I.D. team including a food-for-peace officer departed for Cape Verde July 26, 1975 to assist the GOCV in preparation of the documentation needed to meet Conditions Precedent under the grant and to help with other aspects of the project, particularly those relating to food procurement and distribution, in order to assure rapid implementation of the project.

Issues: In the first quarter of FY 1976 we intend to obligate an additional \$1.0 million for this activity using the special funds earmarked by Congress for Cape Verde.

IV. PL-480 PROGRAMS

Title I - Mozambique

Mozambique is a food deficit country. In view of the GOM's plans to reorganize its agricultural system and growing refugee problems, the need for the GOM to increase food imports is likely to increase over the short/medium term.

Local currency generations will be used to support the GOM's agricultural development program. In view of the extensive reorganization of the agriculture sector and the disruption of marketing channels resulting from the flight of the Portuguese, food production and the amount actually marketed is expected to be below normal levels. No disincentive effect is expected as a result of the Title I program.

PL-480 Title I Agreements and Shipments (\$ millions)

	<u>Commodity</u>	<u>Agreements</u>		<u>Shipments</u>		<u>Carryover</u>	
		<u>(\$)</u>	<u>(MT)</u>	<u>(\$)</u>	<u>(MT)</u>	<u>(\$)</u>	<u>(MT)</u>
FY 1975 Estimate	----	--	--	--	--	--	--
FY 1976 Request	Wheat	3	22	3	22	--	--
Interim Quarter	----	--	--	--	--	--	--
FY 1977 Request	Wheat	3	23	3	23	--	--

Title II - Cape Verde

The Cape Verde Islands are suffering from a seven-year drought and until independence virtually 100% of the food requirements for the population of nearly 300,000 were met through subsidized imports from Portugal. Because of serious economic problems at home, Portugal announced that

the level of assistance would be curtailed sharply after Cape Verde achieved full independence (July 5, 1975). Using funds from the special appropriation for Portugal and its African colonies gaining independence, A.I.D. obligated a total of \$4 million for Cape Verde in FY 1975 for humanitarian and development needs. Another \$1 million will be obligated in FY 1976 from the same appropriation.

In view of the fact that much of Cape Verde's import requirements are food commodities we recommend that a PL-480 Title II feeding program be initiated without delay commencing in FY 1976. We have contacted both the Church World Services and Catholic Relief Services concerning the possibility of their sponsoring Title II programs in Cape Verde. Both organizations have expressed interest in working in the Islands. However, neither has as yet submitted a proposal for A.I.D. consideration. In the absence of a PVO-sponsored program, we recommend the implementation of a government-to-government program. We have requested the Food-For-Peace Officer, who is presently in Cape Verde as a member of the loan/grant implementation team, to look into the possibility of initiating a Title II program. (Such a program might be required in addition to PVO-sponsored projects.)

PL-480 TITLE II FY 1976CAPE VERDE

Government to Government

Total Recipients

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>Metric Tons</u>	<u>Dollars (thousands)</u>
---	Maize	20,000	2,544
---	All purpose wheat flour (Cornflour)	2,500	589
---	Rice	1,300	403
---	CSM (Milk Powder)	2,250	645
---	All purpose wheat flour (Casava flour)	1,550	365
		<hr/>	<hr/>
		27,600	4,546

PL-480 TITLE II FY 1977

Government to Government

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>Metric Tons</u>	<u>Dollars (thousands)</u>
---	Maize	40,000	5,088
---	All purpose wheat flour (Cornflour)	5,000	1,178
---	Rice	2,600	806
---	CSM (Milk Powder)	4,500	1,290
---	All purpose wheat flour (Casava flour)	3,100	730
		<hr/>	<hr/>
		55,200	9,092

It is anticipated that some vegetable oil will also be required.

	F&N	PP&H	E&HR	SDP	OTHER	DEV. ASST. SUB-TOT.	SA	TOTAL
<u>ONGOING GRANTS:</u>								
655-22-110-002 Agr Sector Support (Cape Verde)	2,060	---	---	---	---	2,060	---	2,060
659-15-690-001 Devel. Training for PSA	---	---	485	---	---	485	---	485
655-11-990-001 Food for Work and Distr. (CV)	---	---	---	---	(1,000) 1/	---	---	(1,000) 1/
Subtotal	2,060	---	485	---	(1,000) 1/	2,545	---	2,545
<u>NEW GRANTS:</u>								
657-22-110-002 Ag Sector Support (Guinea-Bissau)	2,455	---	---	---	---	2,455	---	2,455
Subtotal	2,455	---	---	---	---	2,455	---	2,455
<u>LOANS:</u>								
Agriculture Food Production (Mozambique)	5,000	---	---	---	---	5,000	---	5,000
Subtotal	5,000	---	---	---	---	5,000	---	5,000
TOTAL	9,515	---	485	---	(1,000) 1/	10,000	---	10,000
<u>PL-480:</u>								
Title II - Government to Government (Cape Verde)	(4,546)	---	---	---	---	---	---	(4,546)
Title I - Mozambique	(3,000)	---	---	---	---	---	---	(3,000)
1/ Special Funds provided under the Foreign Assistance Appropriation Act of 1975								

AFR/RA SUMMARY TABLE INTERIM QUARTER
(0000)

	F&N	PEH	EC/HR	SDP	SCO	DEV. ASST. SUB-TOT:	SA	TOTAL
ONGOING GRANTS:								
655-22-110-002 Agr Sector Support (Cape Verde)	15	--	--	--	--	15	--	15
659-15-690-001 Development Training for PSA	--	--	--	--	--	--	--	--
655-11-990-001 Food for Work and Distr. (CV)	--	--	--	--	--	--	--	--
657-22-110-002 Agr Sector Support (Guinea-Bissau)	--	--	--	--	--	--	--	--
Subtotal	15	--	--	--	--	15	--	15
TOTAL	15	--	--	--	--	15	--	15

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

(CAPE VERDE)
 PROJECT NAME Food for Work and Distribution INITIAL OBLIGATION FY 1975 DATE PROP/REVISION 6/20/75
 PROJECT NUMBER 655-11-990-001 FINAL OBLIGATION FY 1976 DATE LAST PAR ---
 APPROPRIATION Portugal and Portuguese Colonies TOTAL COST 2,000^{1/} DATE NEXT PAR 7/15/76

	FY		FY Expenditures	U.S. DOLLAR COST (IN THOUSANDS)		FY 1976 & Interim Quarter Obligations by Cost Component/MOI								
	Obligations	1,000 ^{1/}		Unliquidated as of:	Cost Component	Direct Aid	Contract	PASA	Total					
Actual FY 1975	1,000 ^{1/}	---	---	1,000	6/30/75	U.S. Tech.	---	---	---	---	---	---	---	---
Estimated FY 1976	1,000 ^{1/}	1,500	---	500	6/30/76	Local & Tcn.	---	---	---	---	---	---	---	---
Estimated Interim Qtr.	---	500	---	---	9/30/76	Participants	---	---	---	---	---	---	---	---
Proposed FY 1977	---	---	---	---	9/30/77	Commodities	---	---	---	---	---	---	---	---
						Other Costs	1,000	---	---	---	---	---	---	1,000
						Total	1,000	---	---	---	---	---	---	1,000

	Contract/PASA Funding Periods			On Board Personnel					
	FY 1975 Obligations	FY 1976 Obligations	Interim Qtr. Obligations	FY 1977 Obligations	6/30 1975	6/30 1976	9/30 1976	9/30 1977	
Period	---	---	---	---	---	---	---	---	---
Amount	---	---	---	---	Direct Hire	---	---	---	---
					PASA	---	---	---	---
					Contract Participants	---	---	---	---
					ST	---	---	---	---
					LT	---	---	---	---

^{1/} Special funds provided under the Foreign Assistance Act of 1975