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In preparing the FY 1974 submission field posts were asked to classify themselves as either:

1. Countries or sub-regions whose programs that are already concentrated. Implicit in this category was that a collaborative assistance style had been instituted with concentration in key sectors or problems multilateral in nature and based on sound sector or sub sector analysis.

or

2. All other countries and sub regions who have not developed the new directional style who must present a time frame plan for the conversion to the new program emphasis.

After consideration and discussion with AID/W representatives it was decided that while the implementation approach in OSARAC was wholly consistent with the new directions, program planning did not and could not immediately grow out of the kind of sector analysis outlined in AIDTO Circular A-543. Therefore the submission would follow the format set out for all "other countries and sub regions" although it will be obvious that implementation-wise the transition to a multilateral and more collaborative assistance style is being made.

There has been an inherent recognition in all the FY 1974 guidance

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DRAFTED BY <i>RAS</i> PRM. RASTacy	OFFICE OSARAC/Mbabane	PHONE NO.	DATE	APPROVED BY <i>[Signature]</i> RDO: CDWard
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AID AND OTHER CLEARANCES

T. McDonough (draft)
K. Shafer (draft)

Embassy P. Spicer

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material that the full application of sector analysis as a programming tool will proceed gradually over time. Consistent with the concept of responding to host country priorities the guidance implies that sector analysis programming will be equally pragmatic in its timing.

The time horizon for the real utility of sector analysis will necessarily vary from country to country. In the case of the OSARAC countries and in particular Botswana, Lesotho and Swaziland, their relative smallness demographically and in economic complexity make sector analysis and approaches to key development problems much more manageable.

However, comprehensive sector and subsector studies are not necessarily prerequisites for the concentrating of AID resources in an integrated approach to priority development problems within a multilateral context and with a more collaborative assistance style. It should be recognized that the limited technical, management and administrative capabilities throughout the civil services in OSARAC countries could in the near future relegate sector analysis and programming into an unrealistic internal AID exercise. This observation is not meant to downgrade the importance and utility of sector analysis as an aid to development planning but only to caution that AID program planning may have to proceed for some time through accumulated experience based on more than an intuitive feel for the core problems which must be faced. The focus must be on the appropriate mix of resources, manpower and policy decisions to be put forward as solutions.

While it is useful to think of FY 1974 as a transition year, nevertheless countries with only a few years of nationhood behind them, with weak and over-extended civil service structures, cannot be expected even with our assistance to present to donors fully thought out project ideas based on detailed macroanalysis and sector studies. All of the OSARAC countries, with the exception of Lesotho, have recently either published new development plans or are in the final stages of completing such plans. Concurrently the respective UNDP offices have all been working very closely with governments in their first country programming efforts. While the governments here will undoubtedly accept donor offers of sub sector or specific problem studies as opposed to broad sector analysis, it is unlikely that they will view such studies as absolute prerequisites for identification of their own project priorities. Rather, they are likely to rely for several years to come on their own development plans, UNDP country papers with an interspersing of special problem and feasibility studies.

Since OSARAC is a relatively new office, the country program has been designed since the sector concentration policy was adopted by the Africa Bureau in 1970. Unlike other missions OSARAC has not had to face the problem of phasing out ongoing unrelated projects that were scattered throughout a range of sectors. Transition as discussed in the guidance messages will not constitute a major operational change. Rather, the goals outlined in the FY 1974 guidance messages are already part of a continuing process initiated in Southern Africa two years ago. This submission will attempt to show where we are in that process and to the extent now visible the major blocks of study and analysis work ahead.

Sector and Key Problem Strategy

The FY 1972 Country Field Submission and the abbreviated FY 1973 program submission contained in TOAID A-10 of August 2, 1971 began a process of sector concentration within a greater multilateral framework. For the most part the rationale, justification and analytical information contained in these two documents continues to be valid. However it is time to begin to refine the broad sectors of the last two years to talk more about key developmental problems that have become either more acute or apparent during the last two years. The governments in Southern Africa have not totally articulated their core development problems. However through the UNDP programming exercises and the ongoing work on new development plans a pattern of problems is emerging, which in varying degrees, is common to all the Southern Africa countries. (Additional information concerning the problem variances is mentioned in the Country Annexes).

In the BLS countries we can safely assume that the broad priority sectors will continue to be agriculture/rural development and education/manpower development. In Malawi the priority sectors have recently been identified as agriculture and transportation. While Zambia's priorities differ in content and intensity from the rest of the Southern Africa countries, they also can be grouped into agriculture/rural development, transportation and manpower development. Cutting across these sectoral classifications are several exceptionally difficult problems that are generally accepted as the primary constraints to a more accelerated rate of development in the area.

1. Agriculture/Rural Development Sector

A. Low agriculture productivity and inefficient marketing systems

Although characterized by primarily agrarian populations, all the southern Africa countries are still net importers of basic staple foodstuffs. Subsistence farming still predominates in areas with good land and water resources. Inefficient traditional cropping practices are made even less productive by severe overgrazing and erosion. Change in agricultural methods is severely hampered by general administrative incapacities which result in poor delivery systems for agricultural inputs. For instance improved seeds and fertilizer are rarely utilized due to ineffective extension systems, and agriculture credit is usually available only to the larger farmers. Credit availability is partly influenced by the absence of adequate land tenure systems. For the small farmer, there are high risks involved in any attempt at modern farming and the traditional cultivation practices, while resulting in severe rural underemployment, offer the false security of the familiar. Unless soon resolved, the factors which make rural life a marginal and tenuous existence are likely to initiate a greater rate of rural to urban drift in the near future.

B. Absence of rational land use planning and conservation practices

In all of the Southern Africa countries, with perhaps the exclusion of Zambia, there is already considerable pressure on arable land resources. Traditional farming practices have not resulted in rational use of the land to achieve optimum benefits from either cultivation or grazing. Both human and livestock populations in some areas exceed the supporting capacity of the surrounding land. Land use planning, along with some minimum form of security of land tenure, is one of the most important prerequisites to improved agricultural practices. Concurrently, conservation practices must be introduced if any productive gains are to be sustained. In the BLS countries in particular the predominance of a cattle culture with communal grazing results in severe over-grazing. Large areas of previously arable land have become useless through erosion or marginally productive because as crop residues are grazed, organic matter is not being replaced in the soils. Efforts to deal with erosion problems in the past have treated only the symptoms rather than trying to address the basic causes.

C. Limited livestock production and ineffective range management practices

Interrelated to the land planning/conservation problem above are the husbandry and range management practices which result in livestock production far below the potential of all Southern Africa countries. Both Malawi and Zambia are likely to remain net meat importers for some time. The BLS countries have great potential for an expanded livestock industry with large African and even U.K. markets for fresh meat. However, production relative to resources remains poor both quantitatively and qualitatively. Although almost all small farmers own livestock, the greater returns for production are proportionately to the larger, and often expatriate farmers.

2. Manpower/Education Sector

A. Absence of middle and professional level technical and management skills

The overall administrative and management abilities of all the Southern Africa countries is so stretched and overextended that other development problems often cannot be effectively addressed. It is perhaps the single most important factor limiting absorptive capacity since it makes the other constraints to development even more binding. Neither internal nor external resources can be put to optimum use and potential capital inflows, both public and private may not be realized due to the management gap. There is often a general inability to implement development projects that are planned. Relatively speaking, in all the countries the capacities of the planning offices generally outstrip the capacities of the functional ministries to implement.

B. Inadequacy and irrelevance of educational facilities and manpower development programs

Although the manpower deficiency has been recognized for years in Southern

Africa, for a number of reasons the gap, particularly in middle and senior levels, has continued to grow. Inherited educational systems have not provided the technical and artisan skills needed and overseas training opportunities are insufficient to keep pace. Consequently the need for expatriates has expanded even though efforts are being made at localization. At the primary level, assistance is required to make education more functional and relevant to the realities of rural life for that large percentage of school leavers. Non-formal education in work skills is needed for a small but rapidly growing group of urban unemployed. University education is still extremely expensive and limited to a privileged few because of the enormous expense of higher education and the limited qualified output from secondary schools.

3. Limited opportunities for the expansion of domestic revenue bases

As all the above constraints have interrelationships they are also tied together by a non-sectoral problem. With the exception of Zambia, all of the OSARAC countries are having great difficulty in meeting the minimum financial demands for expanded public services while retaining sufficient savings to invest in capital needs. The payment of local costs on donor projects is becoming a more formidable task at a time when donors are often measuring host country priority in terms of magnitude of host country contribution to projects.

In the BLS countries for instance, the primary source of revenue will continue to be the customs pool from the South African Customs Union. However the recent devaluation of the rand and the likelihood of other import controls creates the possibility of a future reduction in BLS revenue shares. Except for Botswana where domestic tax opportunities are already expanding with large mining projects, increases in revenue will be very limited unless an accelerated agriculture sector can expand the tax base. While Lesotho and Swaziland are thinking of large revenue producing projects to sell water and electricity to South Africa, the projects are currently both in doubt. Even if started immediately revenue returns would be many years off.

To the extent possible, private and public investors must see that all projects in Southern Africa are planned to be both employment generating and revenue producing. Other activities that are infrastructural or public service in nature must be so planned as to minimize the burden on recurrent costs to the respective governments.

Current Situation in the Shift to the New Assistance Styles

When the OSARAC office was established it was assumed that the convergence of certain common development problems, and a legacy of regional cooperation in the BLS countries, particularly in education, would permit the design of a regional program in certain instances. Accordingly, a few regional projects

have been possible. However in the absence of a functioning interregional organization such as the East African Community or the Chad River Basin and Entente in West Africa, there are inherent limitations in the implementation of regional projects. More and more, the priorities, development needs, and desired assistance responses are being articulated nationally. This trend is likely to be further accentuated by the UNDP country programming exercises. This does not change the rationale for a regional office serving the OSARAC countries. However, it must be recognized that project implementation in future years will have to take into the consideration the realities of this emphasis on nationally articulated priorities.

The problems above are all being addressed with the ongoing AID program in South^{ern} Africa albeit in a somewhat fragmented and piecemeal manner. What is needed is the progressive development, in concert with the other donors of a program rather than project approach to the problems. A firm base for a more collaborative planning of activities is being set through the UNDP programming exercises in which OSARAC has been asked to make contributions at various stages. Although all are still incomplete (including the Lesotho approved program which is being reworked during their annual evaluation) it is likely that the UN will be focusing on almost the same set of development problems above.

It should be stated however that a collaborative and integrated assistance style within a greater multilateral framework assumes that the various donors can be fully responsive to the resource requirements when gaps are identified in the total program effort directed at a particular problem. The long range solutions to the problems above are undoubtedly going to require an expanded resource flow over and above what is now available. This will be even more true if levels of indirect South African assistance drop with their worsening economic situation. This leads to the unavoidable conclusion that, if the U.S. is going to energize the Southern Africa countries to undertake sector analysis and studies of specific development problems and if the U.S. is going to encourage other bilateral and multilateral donors to work toward a more integrated response to those problems at a time when the major donors (i.e. ODA and UNDP) may not be able to increase their assistance levels, then there may be an implied responsibility on AID's part to be prepared to fill any newly identified key assistance gaps. Therefore a more collaborative program may very well require a larger flow of U.S. concessionary resources. This is particularly true when the current program plans are in fact directed at further expanding the absorptive capacity.

It should be noted that the BLS countries in particular have come very late into the development process, and with the real absorptive capacity as a guide, the U.S. should be planning for a much larger level of resources into the area. Because of their size, the problems in the BLS countries are still manageable and not at all insoluble.

As the U.N. is developing guidelines on how to be more responsive to the 25 least developed countries, so AID also should be prepared to take some bold steps. For instance, seeking congressional approval for a reduction in interest rates on development loans to the least developed or the greater financing of local costs would be substantive moves. It is our understanding that an in-house study group is already considering new ways and means of assisting the least developed. For AID programming purposes the three LLS countries and Malawi should receive special consideration as part of the 25 least developed. Although Swaziland is not officially on the list, an appeal is being made to the U.N. for reconsideration on the very defensible grounds that economic dualism, enclave industries and high expatriate incomes completely distort per capita income and other statistics used in the determination.

From an implementation stand-point the OSARAC program is consistent with the new multilateral and collaborative assistance style. All projects are legitimate regional or multilateral efforts, and the methodology of implementation has for the most part been determined by the imperatives of close donor cooperation rather than simply following standing AID procedures. Assistance in the construction of UBLS necessitated several waivers and change of AID approach in order for the U.S. to be consistent with the procedures of the British and Canadians who are larger contributors to the project. The design of the joint AID/IBRD Lesotho Dryland Farming Project (Thaba Bosiu) was carried out with an integrated AID/IBRD appraisal mission, perhaps the first of its kind. In a further demonstration of integrated collaboration AID/W plans to utilize the IBRD project documentation to satisfy the requirement for the PROP.

An effort is also being made to achieve an integration in the use of AID resources. Both Technical and Capital Assistance have been programmed as a part of the Swazi Rural Development project. In Lesotho it is planned to use PL480 Food for Work as an integral part of the AID/IBRD Thaba Bosiu project in building roads and soil conservation structures.

Every effort has been made to develop organizational and program approaches that are less directive and provide for greater LDC participation and responsibility. The Southern African governments are resolutely interested in a more participatory approach to the extent possible within their budgetary and manpower constraints. For instance Swaziland insisted that the first Project Manager in OSARAC should be in effect the 'coordinator of AID inputs' since project management was a GOS function. During the last six months there has been a notable move for greater local management of the Swazi Rural Development project. However, the willingness to assume greater local management is not matched by capability. The manpower deficiencies in Southern Africa do present automatic limitations and in coming years movement toward host country management and direction of projects must be purposefully pragmatic. One of the first steps should be a deliberate policy of seeing that the results of all external studies and consultancies to the maximum

extent represent joint AID/host country products. This is accomplished by insuring that all study teams have at least one local planning officer assigned to it.

The potential for shifting to new implementation arrangements, such as use of intermediaries and block grants, is limited in Southern Africa by the very nature of the key problems we wish to address. The manpower deficiencies alone call for more traditional means such as OPEX and local training to expand absorptive capacity.

Perhaps a new set of implementation arrangements needs to be designed for the 25 least developed. Some of AID's most recent innovations seem to be aimed at countries who are being groomed for graduation. That is the new implementation arrangements (use of intermediaries and block grants) are really intended to be methodology transitions for countries who can finance their own capital needs and who should soon purchase their own technical assistance. These modalities all assume an availability of local financial resources and an indepth cadre of trained manpower which are not available to the least developed.

However, the smallness of the OSARAC staff relative to size of program and area to be covered makes it absolutely essential that all contractors be totally self-sufficient and that maximum host country project management be worked for as soon as is practicable. These are now standing criteria in any new project design.

3. Coordination with multilateral and bilateral donors

Substantive coordination with other donors was an integral part of the design of the Southern Africa program since its inception. This is being further advanced by the UNDP country programming exercises.

For instance the Swazi Rural Development project is closely integrated with an ODA effort in the same field. The long range success of the Swazi Rural Development effort will to a large extent depend on both ODA inputs of land and area project managers on one hand and AID inputs of equipment, selected technicians and intermediate credit on the other.

Assistance in the devolution and growth of UBLS has been accepted as a joint responsibility of ODA, AID, and CIDA. It is planned that this collaborative approach will be continued in the polytechnic phase once the respective governments have agreed on the approach to be taken.

OSARAC has been fortunate in having been asked by all of the UNDP Resident Representatives to make inputs into the UNDP country programs at a very early stage. Further coordination is planned in coming months as part of UNDP annual evaluations or as part of the final preparations of

Country Program Documents. The OSARAC Program Officer has been asked to participate in the Lesotho Program Evaluations scheduled for August 1971.

In at least two instances (Swaziland and Lesotho) the Resident Representatives have announced that they intend to use the country programming exercise to establish within government a permanent coordinating group composed of all bilateral and multilateral donors under the chairmanship of the respective planning offices. Embassy/Mbabane and OSARAC has encouraged the Resident Representatives in this.

In addition we are investigating the possibility of an integrated project with UNDP in the Senghu region of Lesotho as a part of our program to develop a package approach to agriculture production, land use planning, range management and soil conservation. The approach is being initially developed in the joint AID/IBRD Dry Land Farming project in Linds Bosiu.

4. Tasks ahead in further development of new assistance style.

The major work ahead will center around selected studies and planning rather than on the implementation side. Where not already done, discussions with appropriate host government offices will be initiated concerning a more collaborative planning approach to the key problems. While we can theoretically discuss comprehensive sector analysis, we believe that the best approach is to encourage governments to pull together the plethora of existing studies and to identify specific knowledge gaps for immediate study. This is already being done and possible priority studies for OSARAC are discussed in the country annexes which follow.

It should be noted that one of the key prerequisites of the sector approach is country ability to control the financial, institutional and policy components of the problems that must be addressed. In the SLS countries this is not always possible due to their inclusion in the Rand monetary area and the South African Customs Union. As a result their control over such issues as monetary policy, wage and price policy, and in some instances agriculture marketing is limited.

5. Program Composition.

The FY 1974 program should be designed as a transition year not necessarily to focus on sweeping analysis and broad sector studies but to insure that the appropriate level and mix of resources, policy issues, institutional support and management needs are in line to continue to address the key problem areas in a meaningful way.

The makeup of the FY 74 program, which will be shown in detail in the July 31 Budget Submission, will demonstrate an integrated use of technical and capital assistance, problem and feasibility studies, and IDA/IBRD within the problem areas above. The program composition will demonstrate a greater U.S. effort

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at addressing the problems, and pending the outcome of the UNDP programming exercise, a further expansion of multilateral implementation.

BOTSWANA

For a number of geographic and climatic reasons it is fairly conclusive that Botswana has a decided comparative advantage in livestock production. Beyond the returns from mining, the major hope for accelerating general growth, improving the quality of rural life and expanding general revenues lies in the livestock industry.

However, income from livestock production is already badly skewed and the pressures on range resources are mounting seriously. About 86% of cattle are grazed in tribal areas under traditional forms of management. Botswana thus faces a major dilemma. The livestock industry can expand under traditional management only at an unacceptable cost to range resources, but the total replacement of traditional forms of land management by a system of individual land tenure would involve unacceptable social costs. A principal concern of Government in the period of the third Five Year Plan (1973-78) is therefore to find the middle way: that is, to increase sustained production from the land, while preserving the interests of the majority in a rural society.

Recently FAO and ODA experts have concluded that the greatest potential constraint to long term sustained rural production and employment is the serious, and even alarming deterioration of the land. This is now an important component of the GOB National Rural Development Paper approved by the government in March 1972.

Therefore, concurrently with any expanded production effort (as the IBRD/SIDA project) comprehensive studies are needed in land use and ecology during FY 1973. One of the most important components of this mosaic is the need for range research. The government as well as other donors assisting livestock have identified range research as a high priority and a key part of any livestock sector strategy. Informally the GOB has indicated their interest in U.S. assistance recognizing that this is an area of special U.S. competence. A range research project will be included in the budget submission. Naturally any studies of ecology, land use or range research will draw on the results of the ERTS satellite program in which Botswana is participating.

As a part of its livestock production effort the GOB is concerned about seeing that much greater returns are passed on to the small producers than in the past. This is also part of an overall government policy of income redistribution and employment generation. Related to AID's construction of the Bot-Zam Road to open up new markets, and the possible construction of a second abattoir, the GOB is currently designing a program to increase the production of the small cattle producers (virtually all rural families) through the development of group ranching associations or cooperatives on tribal lands. It is anticipated that further study will be required prior to the final formulation of this potentially important project. Depending on the progress of studies, an integrated capital and technical assistance AID project is envisaged

in FY 1974, possibly as a multi donor effort.

Further in line with Botswana's critical manpower restriction, the U.S. has already been requested to provide high-level OPEX functionaries (plus training), particularly in the area of central fiscal administration and agriculture/rural development. A.I.D. is interested in responding to those requests for positions which support on-going or planned U.S. capital and technical assistance activities, or which will yield a particularly great return to Botswana in financial revenue (as with the tax team). It should be said that due to the excellent work of a manpower expert provided by the Ford Foundation the manpower situation is the most thoroughly studied problem of the key constraints. Therefore as presently seen, requirements for U.S. assistance in further education and manpower studies will probably be satisfied by activities through UBLS such as the polytechnic phase.

Looking slightly into the future the results of an UNDP sponsored study of the potential uses of the Okavango water and an ODA survey of the agricultural potential of the Kasane Triangle are likely to create requirements of feasibility study needs for specific project ideas.

The Government of Botswana is willing and has been able, with the ready assistance of ODA, UNDP, SIDA and others, to take the initiative in identifying priority problems and performing analytic studies. A recent advisory report to Government by an outside consultant stated that few LDCs have available such a wealth of recent field studies of high scientific value" as Botswana. However, the capacity of certain ministries to collate these studies and to act upon them is a different matter. This is of course, a reflection of the manpower situation.

Therefore as talks progress with the government on sector analysis AID should be prepared to assist in the compilation of studies to see where gaps exist, other than the more obvious ones mentioned above.

LESOTHO

Certain physical and political characteristics about Lesotho make the priority development problems of the country difficult and complex to deal with. As a result of its mountainous character approximately 90% of Lesotho's 11,716 square miles is of little use for arable agriculture. Because of a large population (1,150,000) and a predominant cattle culture there is great pressure on the arable land and severe over-grazing on pasture land. The end result is a rather disastrous erosion which starts on the steeper slopes and plays havoc with the arable lowlands. Over one half of the population resides on the arable lowlands which is only 10% of the land total. There are few known mineral deposits and few agricultural products for export. 67% of revenue comes from either the Customs Union or from external budgetary assistance.

The employment and education pattern in Lesotho is somewhat unique, partly due to their unusual position as an enclave independent state. South Africa has had a labor shortage over the years and the Customs Union provides for complete labor mobility of Basotho labor into South Africa. About 40% of the male labor force at any one time is working in South Africa, leaving agriculture in Lesotho to the women and children. Only one in every seven wage earners is employed in his own country. The absenteeism accounts for a complex equation for any manpower development effort in Lesotho. For instance, since most of the migrant labor to South Africa is unskilled (94%) they develop few transferrable skills there. In the absence of adult male members of the family, children must often farm or herd cattle rather than regularly attend school. The result is wasted inputs into the school system and a circular pattern of manpower stagnation.

All donors in Lesotho have been attempting in varying ways to deal with the interrelated questions of land planning, erosion, range management, agriculture productivity and the general quality of rural life along the eastern lowland strip.

The need for studies is not as clear in Lesotho, partly as the result of manpower deficiencies, but also because the recently completed UNDP program exercise did not go beyond the reallocation of UNDP activities. This will be expanded on during the UNDP evaluation in August and more should be known about TA gaps at that time. Nevertheless discussions should be initiated with the GOL to determine their interest in AID assistance in FY 73 to pull together existing studies and to assess information shortfalls. Serious information gaps exist in range management; wool and mohair production, marketing and possibly processing; erosion; and agricultural marketing. Depending on the inventory results of existing studies, feasibility studies in FY 1974 should be planned in the areas mentioned. In addition, it is possible that the GOL will approach the U.S. for participation in the UNDP Sengu Rural Development Project or to undertake a catchment area production project alone. In the event of such requests specific project design studies will be needed.

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As in the other BLS countries there are serious manpower deficiencies. However Lesotho unlike Botswana, has done little planning in terms of meaningful localization. A manpower study (Beattie Report) has forecast long term expatriate needs; however, the planning of indigenous or overseas training has been piecemeal. Pending further discussions with the GOL assistance in manpower planning may be a priority area of assistance.

The GOL has recently submitted a formal request to the U.S. to construct the access road into the Malibamatso dam site. It has been suggested that a northern circular road into the Malibamatso area could be justified as an agricultural access road and to open up the diamond mining areas as well. Preliminary feasibility work has been done on part of the road from Leribe to Butha-Butha. However, during FY 73 and before responding to the GOL request additional study is needed to determine the real economic potential of this road in the event the Malibamatso water project is not started.

SWAZILAND

Comparatively speaking the economy of Swaziland, and in particular the agricultural sector, is more diversified than either Lesotho or Botswana. However this is misleading since the economic structure is highly dualistic and the major agro-projects are expatriate or ~~state owned~~ enclave industries. Consequently the bulk of the rural Swazi (80% of the population) are still largely subsistence producers. This economic dualism has resulted in Swaziland's exclusion from the list of the 25 least developed since per capita GDP without consideration of distribution was the single most important factor in making the determination. Therefore while the recorded GDP in 1967/68 was \$171 the actual gross per capita product of the rural Swazi was probably in the vicinity of \$85 per annum.

Of all the missing links in a more modern agriculture sector strategy in Swaziland perhaps the most difficult have been policy decisions regarding land use and tenure. The GOS is now reconsidering some of those difficult policy questions and once decisions are made on the MDP Mapobeni scheme and the P.A. Land Purchase program it is probable that a more progressive policy will be set for an agricultural sector strategy.

The GOS has been willing to identify priority problems for study. The recently completed MDP Usutu Basin Study has provided considerable information on land and water resources for land use planning in Swaziland. However the Mshiselweni district which encompasses the Southern Rural development area was excluded from the earlier studies. Completion of this study, which has not been formally requested from AID, is a critical link in completing a national land and water resources analysis, and by implication, in carrying the Rural Development program into more irrigated cash farming. The final terms of reference for this study, which are to be drawn up by an in-house reconnaissance team in early FY 1973 should also include an examination of the need for upgrading the Matikulu-Mhlangano, Mamba and Sikuusa-Mhlanjane roads in terms of the approved rural development strategy (See GOA/1/11 and Mbabane 1000).

As a part of the Ministry of Agriculture research program, the Mhlangeni research and demonstration ranch will begin operation in 1973 in studies designed to add to the knowledge of livestock breeding and range and pasture development. This information is required from all three ecological zones to further develop the livestock industry and the deal with the related question of range management.

As a part of their overall rural development strategy, the MDP is interested in improving the capacity of the Swazi Credit and Savings Bank to penetrate rural areas with an effective small farmer credit operation.

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GOS has requested further AID assistance in making an operational assessment of SCSB and in the preparation of a credit application to IDA. This study should be done in FY 73 as a corollary to awarding the Swazi Agricultural sector loan to add more intermediate credit funds for rural lending.

In the next few months OSARAC will pull together all existing information in agriculture and, in rural development. Further discussions will be held with the GOS regarding information shortfalls and the needs for problem studies. It is anticipated that the new Chief Agricultural Officer, who is extremely interested in a rapid expansion of cash agriculture in Swaziland, will initiate definite requirements for market studies for specific cash crops. While it is probable that much of this research can be done by the marketing specialist under the Rural Development Project (024), nevertheless external research assistance may be needed in agricultural marketing, Swaziland membership in the South African Customs Union, and the impending question of possible associate membership in the E.A.C.

Until the GOS completes their new development plan, little will be known about study possibilities in the manpower sector. With UNLS working with the SA governments in a needs analysis for polytechnic education and the University beginning work on a long range development plan, areas of priority assistance in the manpower problems are being identified. Nevertheless discussions will be initiated with the GOS Ministry of Education and Department of Establishments and Training regarding the further articulation of a manpower sector strategy and the corresponding needs for studies.

MALAWI

In Malawi general agriculture will continue to be the key growth sector with transportation and road development a high priority corollary. These are the two priorities highlighted in the recently published Statement of Development Policies 1971-1980.

Malawi is well known in Southern Africa for her IBRD sponsored "package" agricultural projects in Lilongwe, Karonga and the Lower Shire valley. While these projects are in various stages of successful implementation, the IBRD believes that the rapid investments in agriculture (up from 6% to 17% of all government expenditures) have now strained the availability of agricultural technicians and any further capital investments in agriculture must be accompanied with extraordinary external provision of technical assistance. This makes manpower development along with agricultural productivity and transportation Malawi's key development problems..

For the last two years AID's assistance to Malawi has been limited to construction of the Southern portion of the Lake Shore Road, participation in the Regional Testing project and very limited technical assistance at Bunda College of Agriculture. In FY 1972 this was increased slightly by providing capital financing for the construction of dormitories at the University of Malawi and the financing of road feasibility in the Lower Shire valley in support of the IBRD project.

With major contributors such as UNDP, IBRD and the U.K. providing most of the resources, AID's involvement has been essentially the timely filling of key gaps. Since the U.S. will continue to be a minor donor in Malawi there is probably no justification for changing that approach. However, as one of the 25 least developed, Malawi's investment needs remain staggering and the resource gaps in the key problem areas are undoubtedly going to expand. As a part of AID's policies toward the other least developed it is proposed that new assistance be planned for Malawi in FY 73-74.

The past and ongoing work of the IBRD in road studies will have virtually completed a comprehensive sector study by the end of FY 1973. One of the road networks where feasibility study and preliminary design is being finalized is the Lilongwe-Mchingi link eastward to the Zambian border. Discussion with the GOA for two years have confirmed definite U.S. interest in construction of the road in FY 1973.

Relatedly the government has tentatively identified an area adjacent to the new road for the beginning of an intensive agricultural package project. Pending further discussions with the government and results of the IBRD road study it is recommended that a study be initiated in FY 73 to design a technical and capital assistance project for the area.

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With the problem of Malawi's absorptive capacity being further aggravated by manpower deficiencies in certain technical and management skills, arrangements have been made for Malawi to participate in the Southern Africa key personnel and Training project. This should be a useful way of augmenting some of the ODA, IBRD and UNDP projects that have been affected by government vacancies.

ZAMBIA

Of the five countries in the OSARAC region, Zambia is the most able to finance its capital needs for development either utilizing its own revenues, mainly from copper, or from multilateral lending institutions. Zambia's needs for outside technical experts has been largely met by the United Kingdom, UNDP and the UN specialized agencies, and most recently, from Canada and the Scandinavian countries. Zambia has also begun to draw on the East European countries, particularly Yugoslavia and Romania, for technical expertise.

AID's very limited program in Zambia has centered therefore on providing technical assistance, mainly of a short-term nature, in areas where the United States has special competence not readily available elsewhere. Since the termination of new bilateral project funding in 1968 AID provided technical assistance has been phased out and there are currently no AID funded experts in Zambia.

Zambia is eligible for direct U.S. assistance as a special case under AID's Southern Africa policy. Limited funding has been available each year since 1968 under a Key Advisory Personnel project which allowed selective response to specific requests for technical assistance within the criteria set out above. Few requests have been received probably owing to the past ability of Zambia's to meet its needs elsewhere or from its own resources. However, since mid-1971, when world copper prices began to fall, revenue available to the Zambian Government for development has declined drastically and demonstrated the need for a broader base of development. At the same time Zambia has begun the second of its five year development plans (1972-76) which will require considerable external finance and outside technical assistance. In the light of the changed conditions, it is anticipated that the Zambian Government may seek more technical assistance from the United States to help it in fulfilling some of the projects set out in the new Development Plan.

Although its favorable financial position relative to the other countries in the OSARAC region does not warrant large-scale US/AID involvement, Zambia, which itself plays a crucial role in the Southern Africa region, will continue to occupy a special position in our AID strategy for the region as a whole. The Zambian leadership is aware of and appreciates the increasing role we are playing in assisting the Governments of Botswana, Lesotho, and Swaziland. Its willingness to provide within its own territory the necessary road and ferry services in connection with the Botswana-Zambia road project is a case in point. To maintain the cooperation and understanding of the Zambian Government in our policy of meeting some of the development requirements of the independent states of Southern Africa and to maintain an interest in Zambia itself, we need to retain the capacity to be selectively responsive to Zambian requests for technical assistance where we are uniquely qualified to do so and where they are consistent with Zambia's development needs and priorities. Where

practical this should be done within a regional context.

Since Independence in 1964 Zambia has made significant progress in building up the country's economic and social infrastructure. However rapid growth, possible in large measure owing to fortuitously high copper revenues, has resulted in a severe imbalance between the development of the urban and rural areas and between the need for and availability of skilled manpower particularly at the managerial, professional and senior technical levels. Accordingly, development priorities have been reassessed and restated in the Zambia Second National Development Plan 1972-1976. The two priority development problems are now:

1. Achievement of self sufficiency in the production of basic foodstuffs through an increase of agricultural output and production efficiency in the traditional farming sector. This will contribute to the stemming of the rapid migration from rural to urban areas; provide employment, narrow the gap in rural/urban incomes (estimated to be in a ratio of 1 to 18), and reduce the drain on foreign exchange for imported foodstuffs. The transformation of traditional subsistence farming to commercial farming, for which Zambia has favorable conditions and high potential, will require the provision of integrated services to the rural areas including credit, access and market roads, marketing and distribution services, electrification, agricultural extension services, and health services. Further, it will require coordinated planning among the various government ministries. This renewed rural effort will be probably approached through Intensive Development Zones.

2. Expansion of the country's capacity to man all sectors of the economy with skilled Zambians. The paucity of skilled Zambians at all levels, but particularly at the professional and senior technical levels, is the major constraint on the future growth of the Zambian economy. Resolution of this will require significant expansion of training and educational facilities at all levels in Zambia as well as outside training for specially selected Zambians.

Since we do not have nor do we contemplate major AID involvement in Zambia, there is little if anything which needs to be done in shifting to new implementation arrangements for technical assistance. Policy and program objectives have been and can continue to be met within the terms of reference of an OPEX project.

The inclusion of the Zambia Key Advisory Personnel Project in the Southern Africa Personnel Development and Training OPEX Project should be for the foreseeable future meet most TA needs. However, including Zambia in such a regional OPEX project should not, in any way curtail the present flexibility to respond to other Zambian requests for technical assistance or limit the areas in which the United States can provide selective technical assistance to Zambia, e.g. possible participation in the Intensive Development Zones.

Having terminated the funding of new bilateral projects with Zambia in 1968 there have been limited possibilities for AID sponsorship of Zambians for training in the United States. Such training is now possible only when it can be centrally funded by AID/W or by the Zambian Government itself. If the Southern Africa Personnel Development and Training Project for some unexpected reason does not begin in FY 73 then the Key Advisory Personnel project should be modified to permit the specialized training, generally of a short term nature, where such training can best be provided by an institution or facility in the United States.