

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY
 SOUTHERN AFRICA REGIONAL

3. PROJECT NUMBER

690-0247

PDBB 304

4. BUREAU/OFFICE

AFR

06

5. PROJECT TITLE (maximum 40 characters)

REGIONAL RAIL SYSTEMS SUPPORT

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 04 30 93

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 88

B. Quarter 4

C. Final FY 89

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

A. FUNDING SOURCE	FIRST FY 88			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	27,530		27,530	48,832		48,832
(Grant)	(27,530)	()	(27,530)	(48,832)	()	(48,832)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country	100	1,740	1,840	300	5,748	6,048
Other Donor(s)	1,660		1,660	4,980		4,980
TOTALS	29,290	1,740	31,030	54,112	5,748	59,860

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) SADF	800	824				48,832		48,832	
(2)									
(3)									
(4)									
TOTALS						48,832		48,832	

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

820

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 strengthen and expand the carrying capacity and operational efficiency of the SADCC Region's Railway System.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 08 90 10 92

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 91 Local Other (Specify) SADCC Countries

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

Clearance: Controller, USAID/ Zimbabwe: *Maryel Davis*

17. APPROVED BY

Signature

Allison B. Herrick

Title

Allison B. Herrick
 Director, USAID/ Zimbabwe

Date Signed

MM DD YY
 08 16 88

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

MM DD YY

OVERVIEW
REGIONAL RAIL SYSTEM SUPPORT
690-0247

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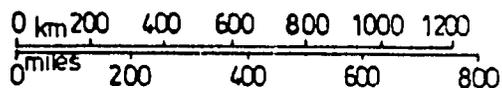
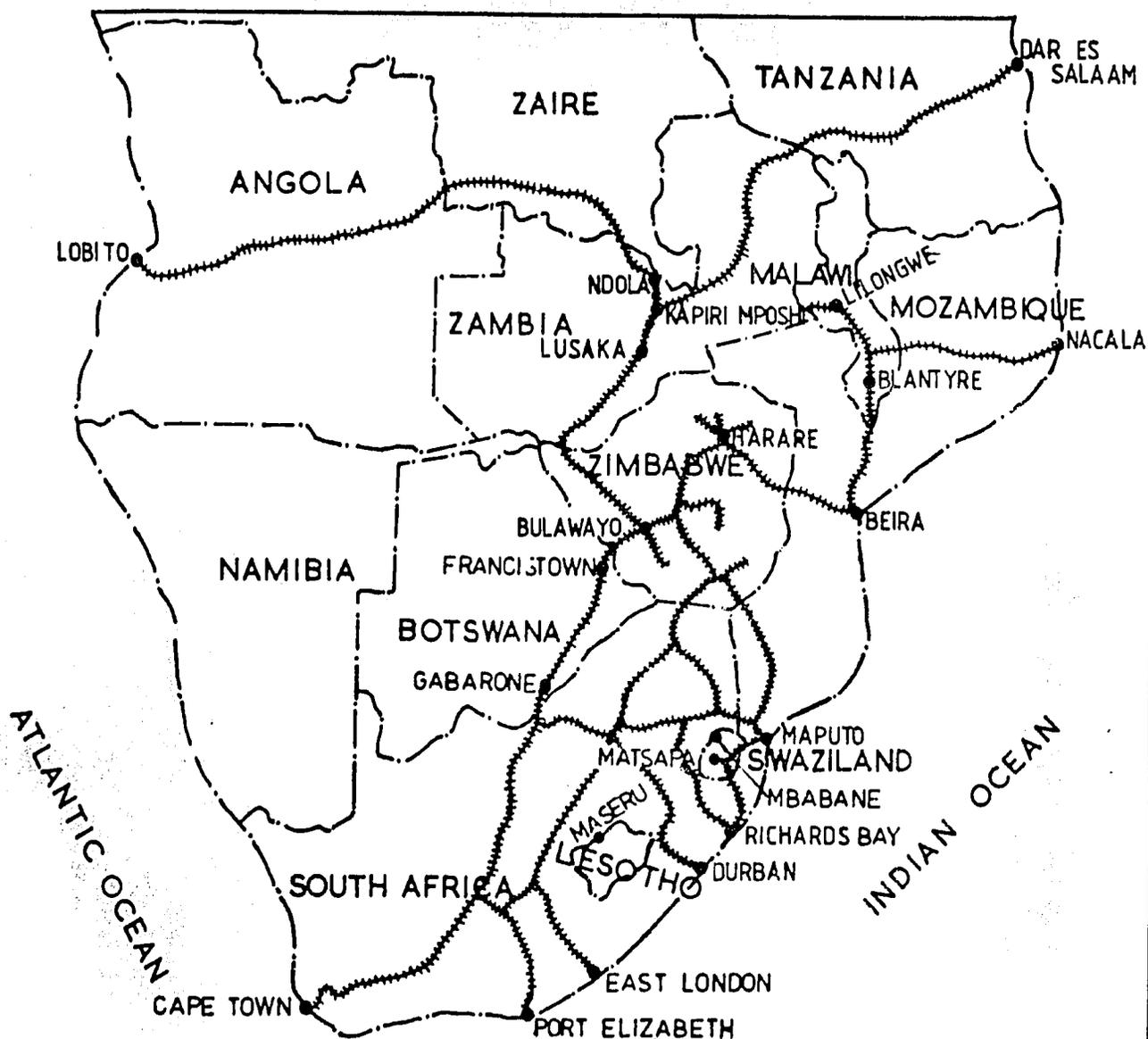
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RAILWAYS AND PORTS OF SOUTHERN AFRICA

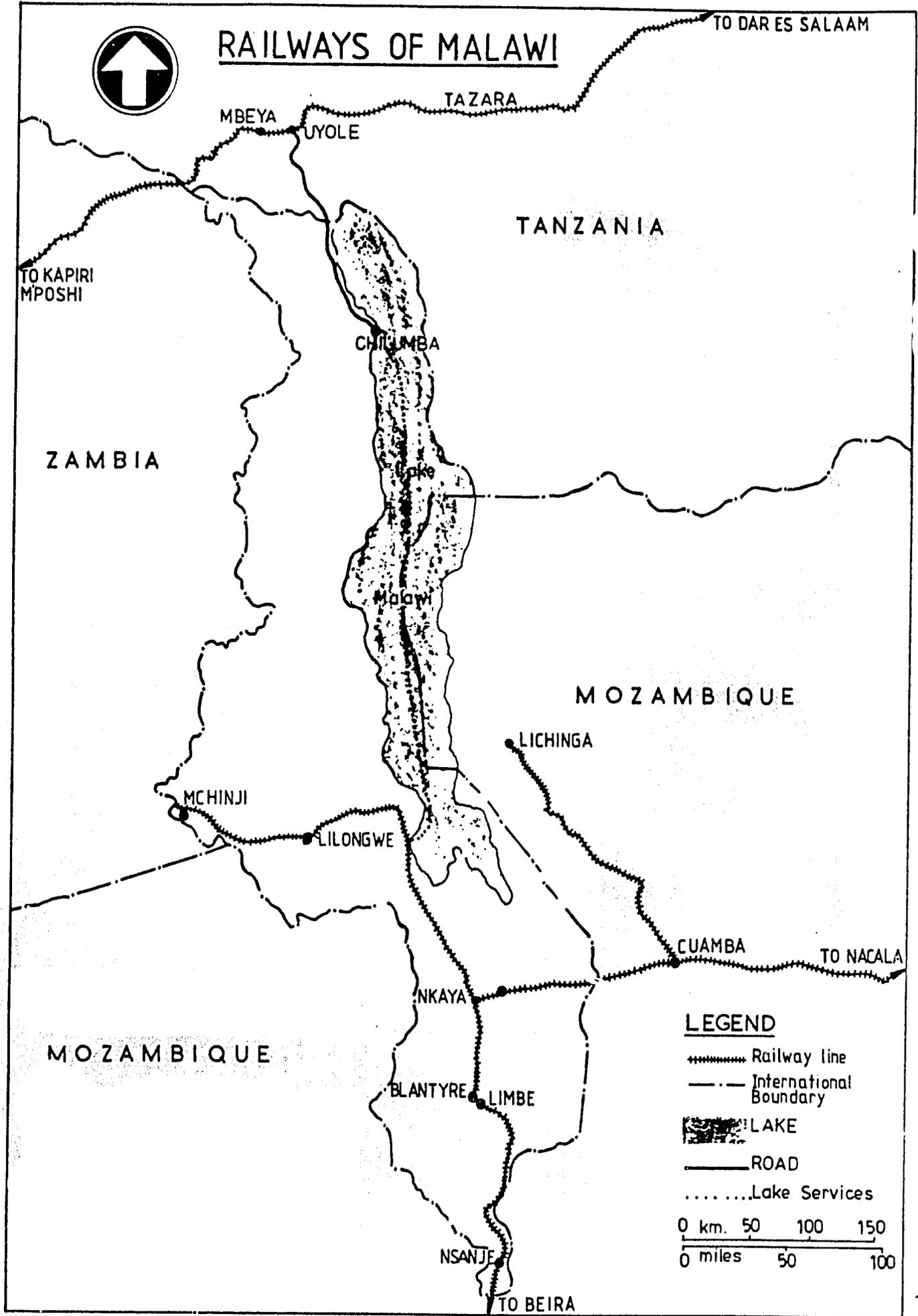


- Railway line
- International Boundary

Handwritten mark or signature



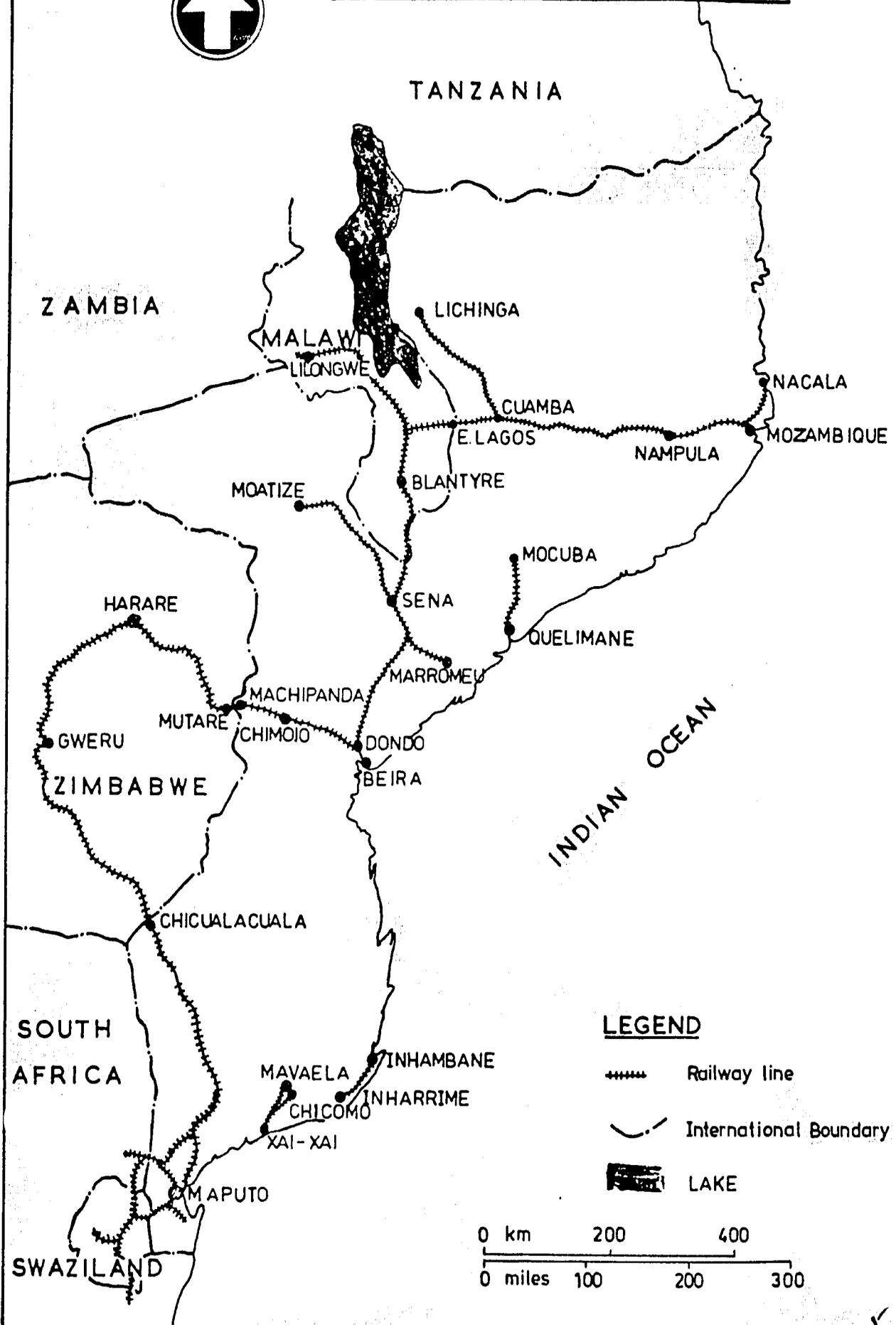
RAILWAYS OF MALAWI



LEGEND

- Railway line
 - International Boundary
 - LAKE
 - ROAD
 - Lake Services
- 0 km. 50 100 150
0 miles 50 100

RAILWAYS OF MOZAMBIQUE



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RAILWAYS OF SWAZILAND

REPUBLIC OF SOUTH AFRICA



TO KOMATIPOORT AND MAPUTO VIA RESANO GARCIA.

MOZAMBIQUE

MANANGA

MHLUME

NORTHERN LINK

TO MAPUTO VIA GOBA

SWAZILAND

MLAWULA

KADAKE

EHLANE

MBABANE

MPAKA

NYONYANE

MANZINI

MATSAPHA

LUBHUKU

HAWINI

SIDVOKODVO

HOLOMI

PHUZUMOYA

BIG BEND

STATION NSOKO

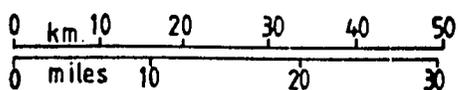
R.S.A

LUVUMISA

TO RICHARDS BAY AND DURBAN

LEGEND

- Railway line
- .-.- International Boundary
- Disused Railway



OVERVIEW
REGIONAL RAIL SYSTEMS SUPPORT
690-0247

A. Background

1. Description of the Southern Africa Transportation System

The transportation system in the Southern Africa region is characterized by an extensive rail, port and road transportation system providing intra-regional linkages as well as access to overseas markets. The entire rail system is of the standard Cape Gauge (1,067 mm) and comprises five major networks or transport "corridors" which connect the interior of the region to the ports of Nacala, Beira and Maputo in Mozambique; Dar es Salaam in Tanzania; and Lobito in Angola, the only SADCC port on the Atlantic. The main transit corridors are described as follows:

(a) Northern Corridor

This corridor links the interior of the SADCC region with the port of Dar es Salaam via the Tanzania-Zambia Railway (TAZARA) and the Tanzania-Zambia Highway (TANZAM). The jugular of this corridor is the rail link connecting Zambia with the port. This 1860 km line which was built with Chinese assistance in 1976 as Zambia's answer to sanctions against Rhodesia (Zimbabwe), is jointly owned by the Governments of Zambia and Tanzania. Total traffic carried on TAZARA rose from 988,000 tons in 1985/86 to 1,220,000 tons in 1986/87, including 80 percent of Zambia's exports (mainly copper) and 45 percent of its imports. The line also carries a significant amount of trade for Zaire's Shaba Province.

The Northern Corridor also includes new road and shipping links through Malawi utilizing ports at the southern and northern ends of Lake Malawi, connecting with rail and road links (TAZARA and the TANZAM) at Mbeya, Tanzania. These links will provide Malawi with an alternative route to Durban in the Republic of South Africa (RSA). In 1987, the Northern Corridor route handled only 19,000 tons or 2.3 percent of Malawi's foreign trade of 807,000 tons. When all links are fully operative by the end of 1990, the route is expected to be capable of handling 218,000 tons or 24% of Malawi's trade. When reopened, Malawi's traditional routes to Nacala and Beira will take most of Malawi's traffic, Malawi will then require the Northern Corridor for 80,000 tons per year.

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(b) The Nacala Corridor

The Nacala system consists of a single line track between the port of Nacala and Malawi, through northern Mozambique. This corridor will serve Malawi's foreign trade and Mozambican exports of tea and cashews from the provinces of Nampula and Niassa. For a period, between 1973 and 1976 after the Zambian-Rhodesian border closure, the line also carried some Zambian cargo. The 814 km line (from Blantyre) was closed in 1984 because of security problems, and despite current multi-donor assistance to rebuild track and expand the port which commenced in 1984, the line remains closed to Malawi's traffic.

When the current rehabilitation program is completed in 1992, the line's capacity should be sufficient to meet most of Malawi's foreign trade needs. However, Beira is 165 km closer to Blantyre, which is Malawi's major industrial center, and it is likely that Beira's price advantage will continue to give it a competitive edge over Nacala in the longer-term.

(c) Beira Corridor

This corridor is made up of railways, roads and a pipeline that connect Zimbabwe and other interior countries with the port of Beira. Included is the Sena railway line between Beira and southern Malawi, and a major spur to Moatize in the coal producing province of Tete in Mozambique. The link to Malawi is currently closed because of insurgency activities and will probably not reopen until 1992 or later. The road link between Zimbabwe and Beira, currently being rehabilitated by the Government of Zimbabwe with funds provided by the African Development Bank (ADB), has the potential to carry 1.0 million tons annually. The corridor also includes a pipeline between Beira and Mutare (just inside the Zimbabwe border) which currently pumps about 0.6 million tons of crude oil annually to Zimbabwe, representing 100% of Zimbabwe's total oil import requirements.

The National Railways of Zimbabwe (NRZ) and Mozambique Railways - Caminhos de Ferro de Mozambique (CFM) - have completed the upgrading of the rail line between Beira and Mutare, Zimbabwe. Current capacity on the line is over 2.0 million tons per year.

A dramatic increase in the level of traffic on the system was reported in the period mid-September to mid-October 1987. About 40,000 tons per year of Malawi's sugar goes through Tete by road to be transhipped by rail from Harare to Beira. The use of the Beira port for Zambian copper increased in 1987 due to a major shift from the South



African port of East London. Zambia now ships about 80% of its copper exports via Dar es Salaam and 20% (about 40,000 tons per annum) through Beira. In addition, as Beira corridor facilities improve, Zimbabwe is expected to divert much of its overseas trade to that port.

1) Maputo Corridor

The Maputo port transport system is considered SADCC's main alternative to South African routes for overseas trade. Although the line is longer than Beira, it has a high capacity both up and down since it traverse flat, open terrain. It serves southern Mozambique, Swaziland and Zimbabwe (southern and western parts), as well as the north-eastern Transvaal. In 1986, approximately 500,000 tons of Zimbabwe's external trade and 505,000 tons of Swaziland's external trade passed through Maputo. Zimbabwean traffic destined for Maputo currently passes via South Africa, transversing the border at Beitbridge and connecting with the Mozambican system at Ressano Garcia.

There are three rail connections with Maputo port. The link between Zimbabwe and Maputo that follows the river border (known as the Limpopo line) is 534 kms long. Closed to commercial traffic since 1984, this line is currently being rehabilitated with the assistance from the United Kingdom and Canada. Upon completion, it will be able to handle 2.0 million of cargo per year.

The Ressano Garcia line, 88 kms long in Mozambique, links Maputo with South Africa. This route has been completely rehabilitated and currently carries over 1.5 million tons of cargo per year. Principal commodities include coal, sugar, citrus and steel from South Africa and Zimbabwe. The third rail link the Goba line, connects Maputo port with Swaziland (68 km in Mozambique). The line is in poor condition and is frequently closed because of security problems. Nonetheless, the line carried approximately 500,000 tons of cargo in 1986. The Government of Italy has made a commitment to rehabilitate the entire length of the line inside the Mozambique border.

Maputo port is currently handling approximately 2.5 million tons of cargo from landlocked countries per year. The theoretical design capacity of the port is 12.0 million tons per year and it is capable of handling 7.0 million tons in its current condition. With capacity at over twice current traffic flows, the port should be able to accommodate the increase in cargo anticipated over the next several years.

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(e) Lobito (Benguela) Corridor

The Lobito corridor serves mainly Angola and Zaire, and potentially, northern Zambia. The corridor is not served by a road link at present. The 1,340 km Benguela railway line has a design capacity of about 3.6 million tons per year but the actual capacity has been reduced to about 0.25 million tons per year in each direction because of poor track conditions, limited rolling stock and insurgency problems. Limited traffic on the Benguela Railway has resulted in under-utilization of Lobito port, which theoretically is designed to handle 2.3 million tons of cargo per year. Zambia, Zaire and Angola are making efforts to attract funding in order to reopen the corridor to limited traffic by 1990, the timing appears optimistic.

2. Regional Traffic Patterns

Transport patterns in the southern Africa region have been influenced by the need to export primary products from the mining and agricultural sectors of the landlocked countries. Little emphasis was placed on intraregional rail links since trade among SADC countries was not significant. In fact, even today, intraregional trade accounts for only five percent of the combined trade of SADC member countries. This has resulted in railway systems which radiate from the central, mineral-rich areas such as the copper belts of Zambia and Zaire, as well as the agriculture regions of Malawi and Zimbabwe, to the ports of Mozambique, South Africa and Angola. These rail systems were constructed at the turn of the century, with the exception of major additions (e.g., TAZARA) which were built more recently for political reasons.

In the past, Mozambique's rail, road and port transport system carried 90 percent of Rhodesia's (Zimbabwe) and Swaziland's internationally traded goods, 80 percent of Zambia's copper exports, and nearly 100 percent of Malawi's imports and exports. In addition, the majority of exports from the eastern Transvaal used Mozambican ports. The remaining 20 percent of Zambia's copper was shipped through Lobito, which was also the major port serving the Shaba Province in Zaire.

Table 1, provides a summary of regional exports and imports by country, destination, and route for 1987 (actual), and projections for 1990, 1995 and the year 2000. Table 2 illustrates the distance between major inland cities and ports.

The projections in Table 1 indicate a shift in regional traffic from RSA ports to the traditionally used SADC ports, especially for Malawi, Zambia, Swaziland and Zimbabwe. The projections of distribution by route used in the table, which were developed over the course of a year, are based on extensive interviews with producers in the region, and reflect a strong preference for SADC ports on the part of the business

Table 1

TRADE VOLUMES AND DISTRIBUTION OF SADCC COUNTRIES
(000'S Tons)

COUNTRY	TOTAL VOLUME				TRADE WITH RSA				TRADE WITH OTHER AFR. COUNTRIES				ROUTE DISTRIBUTION FOR OVERSEAS TRADE															
	Curr	90	95	2000	Curr	'90	'95	2000	Curr	'90	'95	2000	CURRENT				1990				1995				2000			
													RSA	DAR	MOZ	LOB	RSA	DAR	MOZ	COB	RSA	DAR	MOZ	LOR	RSA	DAR	MOZ	LOB
EXPORTS																												
Botswana	136	165	985	1120	38	72	721	809	24	23	191	228	72	0	2	0	70	0	0	0	71	0	2	0	81	0	2	0
Zambia	771	817	788	805	0	0	0	0	231	255	282	330	200	310	30	0	0	527	33	102	0	382	23	101	0	366	22	87
Zimbabwe	2240	2430	2650	2850	348	352	379	397	810	896	876	908	670	0	412	0	397	0	785	0	332	0	1063	0	353	0	1192	0
Mozambique	-	-	-	-	-	-	-	-	-	-	-	-	0	0	324	0	0	0	1197	0	0	0	1765	0	0	0	1901	9
Lesotho	10	10	15	20	9	9	14	18	0	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	2	0	0	0
Malawi	290	309	328	339	6	8	8	9	72	73	67	61	154	13	45	0	64	84	80	0	11	16	226	0	12	17	240	0
Swaziland	1210	1285	1655	2185	385	317	320	324	85	102	109	108	415	0	325	0	366	0	500	0	419	0	807	0	599	17	1154	0
Zaire(Shaba)	227	290	303	318	1	1	2	2	23	24	28	30	24	129	0	0	28	41	0	186	2	53	0	218	0	65	0	21
IMPORTS																												
Botswana	848	975	1140	1410	613	686	771	934	176	236	295	375	59	0	0	0	53	0	0	0	72	0	2	0	99	0	2	0
Zambia	727	798	816	813	144	144	95	45	228	241	263	263	15	340	0	0	0	327	5	81	0	374	17	67	0	411	27	67
Zimbabwe	1365	1375	1120	1215	864	821	505	461	136	143	293	336	255	0	110	0	150	0	261	0	138	0	284	0	118	0	300	0
Mozambique	-	-	-	-	-	-	-	-	-	-	-	-	0	0	1370	0	0	0	1405	0	0	0	1655	0	0	0	1870	0
Lesotho	580	1050	1300	1600	800	900	1225	1510	0	0	0	0	50	0	0	0	60	0	0	0	75	0	0	0	90	0	0	0
Malawi	517	528	544	582	209	127	62	60	137	128	141	159	165	6	0	0	105	134	34	0	9	52	280	0	11	56	296	0
Swaziland	565	570	630	715	485	490	450	505	30	20	110	130	49	0	1	1	30	0	30	0	40	0	30	0	45	0	35	0
Zaire(Shaba)	422	446	484	519	43	98	26	28	302	354	374	368	0	77	0	0	18	19	0	40	18	21	0	45	0	93	0	0

Note: 1) Traffic for Zambia and Zimbabwe excludes oil imports via pipeline

2) For Mozambique, only overseas trade flows were available

SOURCE: SATCC, 1988

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Table 2

SOUTHERN AFRICA DISTANCE TABLE
FROM MAJOR CITIES AND PORTS

HARARE	LUSAKA	BLANTYRE	FRANCISTOWN	MASERU	MATSAPHA	LILONGWE	GABARONE	
2922	3135	3462	1980	1365	—	3806	1545	CAPETOWN
2422	3234	2962	2000	830	—	3306	1565	PORT ELIZABETH
2027	2839	2567	1605	666	565	2911	1170	DURBAN
2362	2959	3174	1940	830	—	3246	1505	EAST LONDON
1828	2640	2368	1855	844	387	2712	1420	RICHARDS BAY
1193	2005	2545	1240	1175	230	2889	1675	MAPUTO
605	2073	649	1308	—	—	993	1743	BEIRA
1354	1888	814	2057	—	—	1158	—	NACALA
3513	2045	1800	3200	—	—	1635	3635	DAR ES SALAAM
3758	2290	3374	3445	—	—	3030	3880	LOBITO

SOURCE: Louis Berger SARTSE Model.

NOTE: 1) The distances given are indicated in kilometers & are over the shortest routes by rail where possible.

2) Rail distances from Blantyre & Lilongwe to RSA. ports are via road between Blantyre & Harare.

3) Distances from Zimbabwe to Richards Bay & Durban, assume using the Northern rail route through Swaziland.

3. Role of SADCC and SATCC

(a) SADCC

The Southern Africa Development Coordination Conference (SADCC) is a group of nine majority-ruled states in Southern Africa: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

At its inception in 1980, SADCC established four basic goals:

- reduction of external dependence, especially but not solely its dependence on the Republic of South Africa;
- creation of operational and equitable regional intergration;
- mobilization of domestic and regional resources to carry out national, interstate and regional policies to reduce dependence and build genuine regional coordination; and
- joint action to secure international understanding of, and practical support for, the SADCC strategy.

In order to achieve optimal regional planning, sectoral coordination responsibilities were allocated among the nine member countries. Transportation as a sector was clearly defined in the SADCC plan of action, and priority emphasis was placed on the improvement of the region's transport system. While the cornerstone aim was to reduce dependence on South Africa, the regional planning strategy also aimed at reducing total transport costs, with consequent savings in scarce foreign exchange and significant economic benefits to the region as a whole.

(b) SATCC

The role of transport and communications achieving the region's economic and social goals was underscored by the establishment in 1981 of the Southern Africa Transport Communications Commission (SATCC), based in Maputo. The Commission has so far identified over 200 transport and communications projects in the region and over \$2.4 billion has been committed for funding by the donor community. Under Article II of the Commission's convention, the Commission's objectives are to:

- provide coordination in overcoming transport and communications problems in the region;

- provide economic and efficient means of transport and communications in the region;
- achieve self-sufficiency in the maintenance of equipment and plant;
- achieve self-sufficiency in technical manpower, training and development; and
- encourage the efficient utilization of available resources for the betterment of transport and communications within the region.

B. Project Rationale

1. Regional Constraints in the Transportation Sector

Political and security problems are ongoing realities in Southern Africa over which this project and SADCC countries themselves, have only limited control. Currently, SADCC governments are actively involved in efforts to secure the major transport links, particularly rail lines. Troops from Zimbabwe and Mozambique protect the rail line and oil pipeline between Beira and the border with Zimbabwe. As protection for the line has intensified over the past couple of years, damage due to sabotage has become increasingly minor in scope, and interruptions to traffic and oil flows have become shorter in duration.

Information regarding security on the Nacala line is not reliable but short-term prospects do not appear good. About 40 percent of the track is in good condition due to ongoing rehabilitation efforts. The remainder is in poor condition and in need of emergency repairs. The track is completely cut at a point 150 kms east of the Malawi border. Due to increased incidents and heightened risk to construction crews, rehabilitation work west of Nampula was stopped for a couple of months and is only now restarting at a reduced pace. Only the line between Nacala and Nampula (about 215 kms) is currently in operation.

All three lines feeding into Maputo (Ressano Garcia, Goba and Limpopo) remain under severe stress. Traffic on the Goba line has virtually stopped due to security problems and derailments resulting from poor track conditions. Dismantled tracks and burned or rotten wooden sleepers have had a similar effect on the Limpopo line. Cargo at the Port of Maputo, which totalled 15 million tons in 1974, totalled only 2.5 million tons in 1987. South Africa's cargo, using the CFM(S) system, amounted to 7 million tons in 1974; however, the figure dropped to less than 1 million tons in 1987.

Experts agree that the current insurgency tactics could be largely controlled if necessary resources were made available and if Mozambique and its SADCC neighbors could agree on comprehensive and coherent security plans. Once emergency repairs are completed, troop deployment, similar to those employed on the Beira Corridor would be required to keep the lines open.

Evidence suggests that the protective measures being used do, in fact, work. For instance, there were 18 separate incidents on the Ressano Garcia line between October 1987 and May 1, 1988, but there have been no incidents since security forces were put in place on May 1. Other forces are expected to be in place on the Goba line by the end of July. CFM assets in Maputo will also be protected by new security forces. In total, approximately 2,500 private security troops will be employed by CFM(S) by the end of 1988. The troops will be given a bonus for each day the lines are open. In addition, the private sector is currently providing assistance to train Mozambican and Zimbabwean troops for use on the Limpopo line and Tanzanian and Malawian troops for use on the Nacala line. Finally, Mozambique has continued to pursue, with notable progress, new security agreements with its neighbors, including those alleged to have supported insurgents within Mozambique.

Obstacles to improving the SADCC transportation network of a more general economic and technical nature include foreign exchange constraints, shortages of technical and management staff, poor condition of existing plant, facilities and equipment, severe shortages of spare parts for routine maintenance and repair work, and lack of information to justify tariff structures. The foreign exchange issue is particularly acute. The lack of spare parts makes maintenance difficult, resulting in the poor locomotive and wagon availability and consumption of existing capital stock.

Establishing an appropriate price for rail services, relative to costs, is difficult. Railroad tariffs are often affected by factors other than costs. In many instances, the costs of particular types of traffic are really not known. This situation not only leads to discriminatory pricing and cross subsidies but also to a maldistribution of investment benefits.

Overall, poor track conditions, inadequate workshop facilities, including equipment, low availability rates from locomotives and goods wagons due to inadequate maintenance programs and a severe shortage of skills have resulted in the diversion of the region's traffic from the once efficient and cost-effective routes to longer, more costly routes through the RSA.

The inability to ship directly through the shorter rail corridors to SADCC ports is costing landlocked countries between \$200 and \$300 million per year. This financial drain

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abets the already serious foreign exchange shortages which undermine economic development. For example, recent estimates indicate that the added cost of diverting traffic through the RSA costs Zimbabwe \$120 million and Malawi \$140 million per year. Furthermore, recent studies estimate that Malawi spends \$30 of every \$100 earned in foreign exchange on transport charges, an unsustainable expense caused by the use of RSA ports rather than Malawi's traditional, shorter routes through Mozambique.

2. Evolution of the AID Transportation Program

U.S. assistance to SADCC's transport development program through A.I.D.'s Southern Africa Regional Program, managed by USAID/ Zimbabwe, began in 1984 with the approval of a project to rehabilitate parts of the road connecting Lusaka in Zambia with Harare in Zimbabwe. This connection is presently being used to export substantial amounts of Zambia's copper through Beira.

The road project was followed by support to Zambia Railways and Mozambique Railways in 1985. Both projects focus on increasing motive power, although some track rehabilitation was performed on the Zimbabwe - Beira line. The Mozambique project complemented an enormous multi-donor effort on the Beira corridor and, in 3 years, has helped raise the capacity of this rail link from under 1.0 million tons/year in 1985 to over 2.0 million tons/year in 1988. The Zambia project is improving the performance of that country's General Electric locomotive fleet, with resulting increases in carrying capacity which affect traffic throughout the region, especially on the Northern Corridor route to Dar es Salaam.

In 1986, A.I.D. joined several donors, including Great Britain and the World Bank, to help provide Malawi with an alternative to the long, costly transport routes through South Africa. The Malawi Northern Corridor project will establish a viable port system on Lake Malawi, with connections by road to the Tanzania-Zambia Railway (TAZARA). In further support of this activity, as well as Zambia's pressing transport needs, AID is currently funding a major motive power project for TAZARA. Approved in 1987, this project will provide new locomotives, rehabilitate existing locomotives, and improve maintenance workshop operations. In addition, technical assistance and training in railway management, locomotive maintenance and financial management is included. The project, which is part of a multi-donor effort on the Northern Corridor, including improvements at the port of Dar es Salaam, will increase TAZARA's carrying capacity by almost 60 percent, to 1.9 million tons/year by the end of 1991.

In late 1987 and early 1988, USAID/Zimbabwe funded a detailed study of surface transport systems in SADCC countries and

examined the constraints to improving the performance of the regional transport system. A team of six transport experts, assisted by AID staff, analyzed 32 potential projects involving railways, ports and roads. The candidate projects were assessed according to economic feasibility; degree of regional impact; institutional and financial ability of host countries to absorb the investment; and readiness of the project to be implemented.

Except for a small project to provide technical assistance to SATCC, the eight highest ranked projects were all railway oriented and are included in the Regional Rail Systems Support Project. Technical assistance to Swaziland Railways was ranked below two port projects, one road project and one track rehabilitation project. Each of these was rejected, either because of implementation problems, huge total costs, or the fact that other donors have expressed a firm interest. Technical assistance to SATCC is not included in this project, although it was considered a high priority. A major staffing and organizational study of SATCC has just been completed. SATCC is currently reviewing the study's recommendations which include strong advice to reorganize along strictly functional lines, to localize staff from within the SADCC region, to eliminate donor enclaves, and to focus more on its primary function of coordination and less on activities which more appropriately fall under the purview of national transport activities. Discussions, however, are continuing between A.I.D. and SATCC and support to the Commission may be included in a future transport management support project.

It was clear from the analysis that assistance to railways in general, and rolling stock in particular, was the most critical need facing SADCC. Historically and in the future, the vast majority of regional and international traffic will be carried by rail. It was also a focus consistent with A.I.D.'s recent experience in the region's transport sector.

3. Relationship to A.I.D. and Host Country Development Strategies

A.I.D.'s regional development strategy and the U.S. Economic Initiative for Southern Africa (1987) emphasized that a development effort led by private sector initiatives to expand competitive production and find export markets cannot succeed as long as the basic regional transport infrastructure is not efficient and cost-effective. The SADCC Program of Action, which considers the impact of traffic flows on the SADCC rail system, gives these sectors the highest priority. Each of the proposed activities in this project is supported by SADCC and is on SATCC's list of approved projects. Furthermore, the United States Congress places a high priority on support to SADCC programs, particularly transportation of the total appropriation for SADCC in Fy 1988, the Congress specifically earmarked 50 percent for SADCC projects in the transportation sector.

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Assistance to Malawi, Mozambique and Swaziland is consistent with A.I.D.'s strategy to improve the regional transport system. It complements other donor transportation projects, as well as ongoing A.I.D. projects in Tanzania, Malawi and Zambia. A.I.D. commitments to SADCC's transportation sector currently total nearly \$100 million. The U.S. has a strong comparative advantage in the provision of new and the rehabilitation of existing locomotives. Regionally, the proposed assistance will help ease a serious constraint that affects the operating efficiency of regional rail systems. The cumulative effect of U.S. support will be to help restore the regional transport system to its former status - one that is efficient, reliable, well managed and maintained, and of service to the majority of producers and consumers of the region.

In a country context, the Government of Swaziland has recently initiated a strategy which specifically addresses the problem of Swaziland's 19 parastatal corporations, most of which are unhealthy. With assistance from USAID/Swaziland, the GOS has conducted an assessment of the viability of the parastatals and is following a strategy designed to make them financially viable with a view towards privatization.

The proposed assistance to Swaziland Railways directly complements the GOS's efforts to improve the financial viability and managerial capability of all parastatals. It also does so by focusing heavily on human resources and institutional development by providing technical assistance and training. Based on the rationale above, USAID/Swaziland views the proposed assistance under the Regional Rail Systems Support Project (690-0247) to be appropriate, timely and congruent with the current Mission strategy and program initiatives.

In Mozambique, a grant agreement under the Regional Transportation Development Project (690-0231) was signed in 1985 with the Government of Mozambique for the improvement of the Beira-Machipanda rail line connecting Zimbabwe with the port of Beira. This project included the rehabilitation of steam and diesel locomotives, emergency track repair, supply of spare parts, the partial conversion of the steam workshop to diesel capability, as well as training and technical assistance. Using the most recent and reliable traffic forecasts, a deficit of locomotives is expected by the end of 1991, when all railway lines, with the exception of the Sena line, are expected to be open.

The current Mozambique Railways (CFM) fleet of aging General Electric locomotives is operating at a low level of availability as a result of poor track, insurgency, a lack of vital spare parts, materials, equipment and skilled manpower. An analysis of Mozambique's rail system has identified a need

to increase productivity in the workshops through repairs of physical facilities, supply of required essential equipment and tools, supply of necessary spare parts both for rehabilitation and damaged locomotives and for re-establishment of all the manual preventive maintenance schedules with strict quality control at all levels.

In Malawi, the starting premise is that, unlike other SADCC railway systems, the locomotive availability is generally good (71% for the Bombardier units) although utilization has gone as low as 31% due to lack of international traffic. Bombardier locomotives, which are the mainstay of the locomotive fleet, now need a major overhaul and major repairs, for which there will be a shortage of spare parts due to Malawi foreign exchange position. The replacement of Malawi Railway's 34 year old breakdown crane is necessary to increase the utilization of the locomotive fleet, especially during periods when the traditional routes through Mozambique are closed.

In both Malawi and Mozambique, the project will help ease serious and constraining foreign exchange positions. In the case of Malawi, reductions in total transport costs, especially foreign exchange costs, will mean that more foreign exchange will be available for other productive activities. With support from the World Bank, the Government of Malawi is embarking on a major trade and industry reform program. Improving the regional transport network will have a direct and positive impact on this program. Faster, less expensive and more reliable transport services are often a prerequisite to achieving growth in industry and trade, with the resulting increases in employment and income levels. Also, foreign exchange savings will increase the ability of Malawi's business and agriculture sectors to import raw material and other inputs in order to more fully utilize existing production capacity.

Similarly, Mozambique will begin to earn substantial amounts of additional foreign exchange as regional importers and exporters shift away from the more costly routes through the RSA. The additional foreign exchange will add to the momentum of ongoing Government and donor-supported programs to strengthen Mozambique's productive sectors, an effort supported by A.I.D.'s ongoing, bilaterally-funded Private Sector Rehabilitation Program.

C. Summary and Recommendations

1. Description of Project Components

Assistance will be provided to three railway authorities under the Regional Rail Systems Support Project. Although the projects will be implemented bilaterally, this overview has demonstrated not only the regionaleconomic impact of the project, but the inter-relationships among the region's

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railway systems. It would be a waste of resources for one or two SADCC countries to improve the capacity and efficiency of their rail systems if neighboring countries, through which imports and exports must transit, remain unable to handle the demand. Thus, for the regional system to be viable, each of its individual components must be viable since a truly regional system does not end at national boundaries. Also improved capabilities in the larger systems can benefit smaller systems which find certain activities uneconomical (e.g., Swaziland's potential use of Mozambique's maintenance workshops).

The three interrelated components of this project are summarized below:

(a) Malawi Railway Component

Under the project, A.I.D. will provide assistance totalling \$7,290,000 in Grant funds to sustain the maintenance capability of Malawi Railway (MR) and improve its operational effectiveness. By the end of the project, the following conditions are expected:

- Sustained maintenance capacity for 19 Bombardier locomotives;
- Improved capacity to handle derailment capability and reduction of time and revenue lost from accidents; and,
- Improved capability for wagon repair.

These end-of-project conditions will enable Malawi Railways, in conjunction with Mozambique Railways and TAZARA, to move its international cargo through to SADCC ports in an efficient manner and at reduced costs.

In order to accomplish the purpose of this component of the project, A.I.D. will finance the following inputs: spare parts for locomotive maintenance (\$2,800,000); sheet metal to repair wagons (\$400,000); a railway recovery crane (\$2,000,000); construction of a storage facility (\$100,000); equipment to support civil engineering on the rail line (\$440,000); on-the-job training (\$90,000); computerization of workshop inventory systems (\$110,000); and project monitoring and evaluations (\$100,000). Finally a contingency and inflation line item of \$1,250,000 is included.

(b) Mozambique Railways Component

A.I.D. will provide \$34,500,000 in grant assistance to improve the carrying capacity and operational efficiency of Mozambique Railways (CFM), focussing on CFM(S) and, to

a lesser extent, CFM(C). Principal project inputs include spare parts to rehabilitate and maintain CFM's fleet of diesel electric and steam locomotives (\$10,500,000); funds for construction activities to improve the physical condition of the locomotive maintenance workshops in Maputo CFM(S) and Beira CFM(C) (\$1,500,000 and \$150,000, respectively); tools and equipment for the workshops (\$1,630,000 for Maputo and \$1,580,000 for Beira); and technical assistance (\$9,703,000) and training (\$3,720,000) in locomotive maintenance, purchasing and inventory control and financial management and accounting. Other inputs include: housing construction and furnishings for the technical assistance team (\$1,158,000); support commodities (\$280,000); evaluations (\$250,000); a budget line item for inflation and contingency (\$2,989,000) and funding for two contractors to assist with management of the Project (\$1,040,000).

By the end of the Project, it is expected that locomotive availability on the CFM(S) and CFM(C) systems will increase from the current level of 58 percent to 75 percent, resulting in increased carrying capacity. In addition, improvements to the financial and accounting systems will be in place to provide CFM managers with the information needed to make key planning and operational decisions, including the establishment of national tariff rates. Overall, activities funded under this Project component will leave CFM with the capability to continue to maintain its locomotive fleet, thereby sustaining the gains made in availability rates and efficiency of operations.

(c) Swaziland Railways

Swaziland Railway's (SR) foremost need is to improve its management capabilities. Only when SR has the ability to plan for and manage all aspects of running a railroad, can appropriate decisions on such matters as tariff rates, fleet size and mix, fleet ownership, financial structure and operating characteristics be made. This component of the project will provide \$7,042,000 in technical assistance and training to help improve the management performance of SR and to ensure its continued viability as an important regional institution in the transport sector.

By the end of the project, SR will have the management capability to plan for and operate its railway system independent of outside assistance and the physical system's capacity will increase to a yearly level of 500,000 tons.

The following positions will be included in the long-term technical assistance effort for this component of the

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project: Chief Executive Officer, Financial Director, Commercial/Marketing Advisor, Operations Advisor, Systems Advisor, and Personnel/Training Advisor.

Long-term technical assistance will total 16.5 years at a cost of \$4,546,000. Short-term technical assistance will be provided in corporate and financial management, legal structure and transport economics at a cost of \$630,000. Other project component inputs (and funding levels) are: (1) long- and short-term training (\$600,000); (2) Commodities e.g., computers and vehicles (\$160,000); and (3) Evaluations (\$150,000). A contingency fund of \$652,000 is also included in the budget. Finally, funding will be provided for an administrative assistant for the technical assistance team (\$74,000) and a project manager on contract to USAID/Swaziland (\$230,000).

2. Recommendations and Summary of Findings

Authorization is recommended in the amount of \$48,832,000 from the SADCC fund for the Regional Rail Systems Support Project. Separate Grant Agreements will be signed with the Government of Malawi - \$7,290,000 - for assistance to Malawi Railways; the Government of the Peoples' Republic of Mozambique - \$34,500,000 - for assistance to Mozambique Railways; and the Government of the Kingdom of Swaziland - \$7,042,000 - for assistance to Swaziland Railways. The Grants to Swaziland and Malawi will be fully obligated in FY 1988. In FY 1988, \$13,198,000 will be obligated for the Mozambique component and it is anticipated that the remaining \$21,302,000 will be obligated in FY 1989.

Staff from USAID/Zimbabwe, Mozambique and Swaziland, REDSO/ESA and experts from outside consulting firms participated in the design of the project. There was close collaboration with USAIDs in the region as well as Host Country ministries and railway authorities. In all, over 20 professionals in various fields such as locomotive engineering, transport economics, finance and accounting, project development, contracting, commodity procurement, railway system management and law took part in the effort.

After eight weeks of field work, the design team has completed an analysis of the technical, financial, institutional and economic implications of activities which will be funded with Project resources. The Project's components are technically sound and adequate consideration has been given to local institutional capabilities. In cases where institutional capabilities are inadequate, significant levels of technical assistance and training are included. The viability of each project component was thoroughly assessed and found to be economically sound. Economic rates of return were calculated for the Mozambique component (IRR = 17.7 percent) and the Malawi component (IRR = 31.4 percent). In the case of all

three components, the potential to significantly reduce total transport costs, particularly foreign exchange expenditures, was demonstrated. This economic benefit will redound to exporters, importers and producers throughout the SADCC region. Financial considerations, including recurrent costs, were reviewed by the design team which concluded that, with assistance provided by project funds, the three rail authorities should be operating on a sound financial basis by the end of the project. Cost estimates and plans are incorporated in the design of the project consistent with the requirements of Section 611(a) of the FAA of 1961, as amended. No significant environmental factors were identified. At the same time the evaluation efforts will monitor and assess progress towards end of the project status for the individual components.

Finally, the issue of possible commingling of project funds with the activities of "Bloc" countries was investigated. Based on a review by the RLA/SA and Regional Engineer, USAID/Zimbabwe, it has been determined that there will be no such commingling of funds.

Special conditions precedent and covenants will be included in each Grant Agreement. These are summarized in the project papers for each component and are included in the Project Authorization. All statutory criteria have been satisfied and a completed Statutory Checklist is attached to this Overview.

Finally, three waivers will be required to successfully implement the project. Justifications for these waivers are included in the Overview as Attachment E and the Project Authorization includes a brief summary of each waiver.

3. Project Evaluations

An evaluation plan has been developed for each component of the project indicating specific targets and benchmarks. Although the inputs and outputs in each component vary, a unified evaluation effort will be undertaken. A unified evaluation effort will allow AID, SATCC and the host country rail authorities to compare progress toward strengthening the performance of the region's rail system and to share lessons learned. It will also provide an opportunity to test important assumptions regarding traffic projections to and from SADCC ports as well as assumptions about the security situation which will affect most of the region's importers and exporters.

The first (interim) evaluation will be conducted in August, 1990. It will review implementation progress, focusing on the implementation schedule development for each component of the project and the quality and timeliness of project inputs. To the extent possible, progress toward the achievement of project

component outputs and the overall purpose of the project will be assessed (see individual project component evaluation plans for specific benchmarks and targets). In addition, the interim evaluation will analyze actual traffic patterns in 1990 and the most recent projections. Based on this analysis, the evaluation team will determine if the focus of the project is still valid and whether the mix and level of inputs remain appropriate for achieving the project's purpose, and recommend modifications, as necessary.

The interim evaluation team will consist of the following personnel (probable source in parenthesis):

- Project Development Officer (AID)
- Engineer (AID)
- Locomotive Engineer (Mission Contract or IQC)
- Financial Analyst (Mission Contract)
- Training Specialist (IQC)
- Commodity Management Officer (AID)
- Transportation Economist (Mission Contract)
- Railway Management Expert (IQC)

The final, end-of-project evaluation in 1992 will concentrate on the degree to which the purpose of the project, both for the individual components and overall, has been attained and will assess the overall impact. Changes in traffic patterns, railway capacities, institutional capabilities and the efficiency of the sub-systems assisted by the project will be evaluated. The final evaluation will assess the impact of the AID-funded and other donor projects on shifting traffic to SADCC routes and will attempt to evaluate the cost savings, particularly foreign exchange, which have been realized. The interrelationship among national rail systems will be analyzed, including the positive externalities which should exist as individual rail authorities improve their level of performance. The continued validity of important assumptions which affect the willingness of importers and exporters to shift to SADCC routes, will also be tested. Finally, the end-of-project evaluation will assess progress toward developing adequate cost data which can be used as a basis for rationalizing rail tariffs in the region.

The final evaluation will include the same basic mix of skills as specified for the interim evaluation, but include more than one person in some categories since an impact assessment will require a more extensive data gathering and analysis effort.

The evaluation plan also includes ongoing evaluation and monitoring as required during the life of project. This is particularly important for the Swaziland Railway component with

its emphasis on institution building. It is anticipated that in addition to an interim and final evaluation, the component will have up to four small scale, focussed evaluation/monitoring activities.

Recognizing the importance and complexity of evaluation in this project the feasibility of letting a single contract for evaluation for the life of project is under consideration.

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COMBINED - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESP. N/A

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to 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? N/A
2. FAA Sec. 611(a)(1). 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. See Technical Analysis and Financial Plan of Project Paper
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, 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? No further legislative action is required

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) Assistance is not for such purpose
5. 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? Yes. See Annex G of Project Paper
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. Project is part of AID's Southern Africa Regional Program
7. 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. a) Yes, it will expand trade between Malawi, Mozambique, Zambia and Zimbabwe
b) Yes, for corridor operations
c) Neutral
d) Neutral
e) Yes by reducing rail transport costs and insuring greater rail efficiency and reliability
f) Neutral
8. 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). US firms will be competing for commodity supply and TA contracts
9. 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. The Malawi, Mozambique and Swaziland Government are expected to contribute \$5.75 million of the total estimated project cost. The U.S. Government does not own any foreign currencies that may be used for the project 28

10. 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
11. FY 1988 Continuing Resolution Sec. 521. 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
12. FY 1988 Continuing Resolution Sec. 553. 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. FAA Sec. 119(q)(4)-(6). 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

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1988 Continuing Resolution. 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
16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A
19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). This provision will be complied with.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). 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 (a) 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 (b) in support of research that is intended primarily to benefit U.S. producers?

Assistance is not for agricultural development activities.

b. FAA Secs. 102(b), 111, 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

- a) The project focuses on improving the capacity, capability and operational efficiency of the Mozambique, Malawi and Swaziland rail transport systems. Producers and purchasers (large and small) of rail cargo will benefit under the project.
- b) This is not a cooperatives development activity.
- c) The project supports institutional building and encourages self reliance of regional rail systems being assisted.
- d) The Project supports the recruitment and training of women for positions in regional rail systems.
- e) The Project encourages regional cooperation through more reliable and efficiently operated rail transport links.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise 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.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used? Yes. Section 106
- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (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. It emphasizes technology transfer through on the job training and training at appropriate regional institutions.
- e. 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)? Requirement is inapplicable per HB3, App 2G since this is a regional project.
- f. 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? Yes

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- g. PAA Sec. 281(b). Describe extent to which program 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 civil education and training in skills required for effective participation in governmental processes essential to self-government. Project assistance was requested by SADCC and Governments involved. The project encourages institutional development and technology transfer through training.
- h. FY 1988 Continuing Resolution Sec. 538. 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
- 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
- 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
- i. FY 1988 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization? No
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? N/A

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
- k. FY 1988 Continuing Resolution. 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 20 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 of the funds will be made available only to Grey Amendment educational institutions or PVO's. However, these institutions will be eligible for certain contracts under the Project.
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) 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; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared Yes. Work is contained within existing Railway facilities.

or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) 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; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

4. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

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- n. FAA Sec. 118(c)(14). Will assistance be used for (a) 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; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? No
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded 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
- p. FY 1988 Continuing Resolution If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in N/A

accordance with the policies contained in section 102 of the FAA; (c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

2. Development Assistance Project Criteria (Loans Only) N/A
- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A
- b. 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? N/A
- c. FY 1988 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds? N/A
- d. 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? N/A

3. Economic Support Fund Project Criteria

- a. 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? N/A

- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? N/A

- c. 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? N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes small businesses are eligible as suppliers.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. 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? Malawi, Mozambique and Swaziland do not discriminate against Marine Insurance Companies authorized to do business in the U.S.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). 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
5. FAA Sec. 604(q). 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 No

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.)

6. 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? No

7. 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? Yes
N/A

8. 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? Yes

9. FY 1988 Continuing Resolution 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

10. FY 1988 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

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B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? Yes
3. 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 CP), or does assistance have the express approval of Congress?

Although U.S. construction and engineering services firms will be eligible, it is anticipated that local or regional construction and A & E firms will be used.

N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan 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?
2. 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?
3. 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

N/A

N/A

Such arrangements exist.

4. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 538. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion?
(1) Yes
(2) Yes
(3) Yes
(4) Yes
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes
- c. FAA Sec. 620(q). 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
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
- e. FAA Sec. 662. For CIA activities? Yes
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

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- g. FY 1988 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
- h. FY 1988 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues? Yes
- i. FY 1988 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
- j. FY 1988 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes
- k. FY 1988 Continuing Resolution Sec. 511. 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
- l. FY 1988 Continuing Resolution Sec. 516; State Authorization Sec. 109. To 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? Yes

(B) PORT CAPACITY. THE PROJECT PURPOSE IS TO INCREASE THE CAPACITY AND EFFICIENCY OF RAIL SYSTEMS IN THE SADCC REGION. THE PROJECT EXPLICITLY EXCLUDES ASSISTANCE FOR PORT DEVELOPMENT, ALTHOUGH THE PID TEAM FINANCED ONE PORT ACTIVITY (DEEPENING AND REALIGNMENT OF THE CHANNEL AT MAPUTO) AHEAD OF THE SWAZILAND TECHNICAL ASSISTANCE ACTIVITY WHICH IS PROPOSED FOR FUNDING UNDER THE PROJECT. THE PP SHOULD DISCUSS WHAT IS BEING DONE BY THE GPRM AND OTHER DONORS TO INCREASE THE CAPACITY OF MOZAMBIQUE PORTS TO ACCOMMODATE PROJECTED RAIL TRAFFIC FLOWS. BASED ON THIS ANALYSIS, THE PP SHOULD VERIFY WHETHER OR NOT PORT CAPACITY IS A POTENTIAL BOTTLENECK TO INCREASED TRANSIT OF IMPORTS AND EXPORTS THROUGH MOZAMBIQUE.

3. ASSISTANCE TO MOZAMBIQUE. SECTION 590 OF THE FY-88 CONTINUING RESOLUTION REQUIRES THAT, PRIOR TO OBLIGATION OF ANY FUNDS (BILATERAL OR SADCC) FOR THE GOVERNMENT OF MOZAMBIQUE, THE PRESIDENT MUST SUBMIT A REPORT TO CONGRESS ON THE EXTENT TO WHICH (1) THE GPRM HAS ENTERED INTO A DIALOGUE WITH THE CATHOLIC CHURCH ON THE RETURN OF CHURCH PROPERTY, (2) THE GPRM HAS TAKEN STEPS TO ASSURE AGAINST EXPROPRIATION OF PRIVATE PROPERTY, AND (3) THE NUMBERS OF SOVIET/EASTERN BLOC MILITARY/SECURITY PERSONNEL ARE BEING REDUCED. IN ADDITION, PRIOR TO OBLIGATION OF SADCC FUNDS FOR ACTIVITIES IN MOZAMBIQUE, THE SADCC APPROPRIATION PROVISION OF THE CR REQUIRES THAT THE PRESIDENT CERTIFY THAT SUCH ASSISTANCE IS IN THE NATIONAL INTEREST. THE REPORT TO CONGRESS IS EXPECTED TO BE SUBMITTED BY THE END OF MARCH. THE CERTIFICATIONS WILL BE FORWARDED AT A LATER DATE, PRIOR TO THE AUTHORIZATION AND OBLIGATION OF FUNDS.

THE ECPR ALSO DISCUSSED THE APPROPRIATENESS OF A.I.D. FINANCING OF TRANSPORT ACTIVITIES IN MOZAMBIQUE IN LIGHT OF THE SECURITY SITUATION. SEVERAL POINTS WERE MADE IN FAVOR OF PROCEEDING WITH THE PROPOSED PROJECT ACTIVITIES. FIRST, TRAFFIC IS NOW MOVING ALONG THE BEIRA CORRIDOR WHERE SECURITY HAS IMPROVED AND DOWNTIME

DUE TO ACTS OF SABOTAGE ALONG THE CORRIDOR HAS EFFICIENTLY DECREASED. SECOND, THE PROJECT ACTIVITIES WILL BE LOCATED IN MAPUTO AND BEIRA WHICH HAVE NOT GENERALLY BEEN TARGETS OF VIOLENCE. THIRD, THE ECONOMIC JUSTIFICATION FOR THE PROJECT DOES NOT REQUIRE GREATLY INCREASED SECURITY. IN FACT, THE PID STUDIES INDICATE THAT THE PROJECT WOULD SHOW A POSITIVE NET PRESENT VALUE AT CURRENT TRAFFIC LEVELS, DUE TO INCREASED EFFICIENCY AND REDUCTION OF TRANSPORT COSTS.

4. INSTITUTIONAL AND MANAGEMENT CAPACITY OF IMPLEMENTING AGENCIES. THE ECPR EXPRESSED CONCERN THAT THIS NOT BE

VIEWS AS SIMPLY AN ENGINEERING PROJECT, AND THAT SUFFICIENT ATTENTION BE GIVEN TO THE DEVELOPMENT OF THE INSTITUTIONAL CAPACITY OF THE IMPLEMENTING AGENCIES IN MOZAMBIQUE, MALAWI, AND SWAZILAND. THE RECENT EXPERIENCE WITH TAZARA HIGHLIGHTS THE IMPORTANCE OF THIS CONCERN. A.I.D. SHOULD ENSURE THAT THE RAILWAYS HAVE THE UP-FRONT CAPACITY NOT ONLY TO IMPLEMENT THE PROJECT BUT, MORE GENERALLY, TO MANAGE THEIR OPERATIONS IN AN EFFECTIVE AND EFFICIENT MANNER. THIS WOULD ENCOMPASS SUCH AREAS AS PLANNING AND BUDGETING, PERSONNEL MANAGEMENT, FINANCIAL MANAGEMENT, PROCUREMENT, AND LOGISTICS MANAGEMENT.

THE PP TEAM SHOULD INCLUDE SUFFICIENT EXPERTISE TO ASSESS THE BROAD INSTITUTIONAL AND MANAGEMENT CAPACITIES AND CONSTRAINTS OF THE RAILWAYS, NOT JUST WORKSHOP OPERATIONS. THE TEAM SHOULD REVIEW OTHER DONOR ACTIVITIES IN THIS AREA AND DESIGN INSTITUTIONAL STRENGTHENING ACTIVITIES THAT WILL ADDRESS THE FUNDAMENTAL PROBLEMS IDENTIFIED. THIS ANALYSIS SHOULD COVER ALL RAILWAYS TARGETED FOR ASSISTANCE UNDER THE PROJECT BUT GIVE GREATEST ATTENTION TO MOZAMBIQUE RAILWAYS WHICH IS THE MAIN PROJECT BENEFICIARY. IT IS RECOGNIZED THAT, AS A RESULT OF THIS PROCESS, TECHNICAL ASSISTANCE AND TRAINING INPUTS MAY BE REQUIRED UP-FRONT AND IN SIGNIFICANTLY LARGER AMOUNTS THAN ENVISAGED IN THE PID. A LONGER LIFE OF PROJECT MAY ALSO BE WARRANTED.

THE ECPF LINKED THE DISCUSSION OF INSTITUTIONAL CAPACITY TO THE ISSUE OF RAILWAY TARIFF REFORM. IT WAS RECOGNIZED THAT, IF THE RAILWAYS ARE TO ATTAIN A REASONABLE DEGREE OF FINANCIAL VIABILITY AND EFFECTIVELY UTILIZE THE LARGE DONOR INVESTMENTS IN EQUIPMENT AND STAFF DEVELOPMENT, THEY MUST ADOPT APPROPRIATE TARIFF POLICIES. A NECESSARY FIRST STEP TOWARD IMPROVED TARIFFS IS TO IMPLEMENT FINANCIAL COST ACCOUNTING SYSTEMS WHICH CAN BE USED TO DETERMINE THE REAL COSTS OF OPERATING AND MAINTAINING THE SYSTEMS.

A SPECIFIC INSTITUTIONAL OUTPUT OF THE PROJECT, AMONG OTHERS, SHOULD BE FUNCTIONING FINANCIAL COST ACCOUNTING SYSTEMS IN THOSE NATIONAL RAILWAYS WHICH CURRENTLY LACK SUCH SYSTEMS. THE PP SHOULD DESCRIBE THE LINKAGE OF THESE FINANCIAL ACCOUNTING SYSTEMS WITH THE TARIFF STUDIES PROPOSED UNDER THE SATCC COMPONENT OF THE PROJECT (E.G., THE DATA GENERATED BY THE STUDIES WILL BE INCORPORATED INTO THE NATIONAL SYSTEMS). DURING PP DEVELOPMENT, THE MISSION SHOULD CONFIRM THAT THE NATIONAL RAILWAYS UNDERSTAND THE CONCEPT OF COST-BASED TARIFFS AND ARE WILLING TO IMPLEMENT THE PROPOSED ACCOUNTING SYSTEMS. THE MISSION SHOULD CONSIDER THE USEFULNESS OF CONDITIONS PRECEDENT OR COVENANTS IN THE PROJECT GRANT AGREEMENTS TO FORMALIZE THIS COMMITMENT. THE ECPF AGREED THAT CONDITIONS OR COVENANTS RELATING TO SPECIFIC TARIFF REFORMS BY NATIONAL RAILWAYS WERE NOT PRACTICABLE AT THIS EARLY STAGE. HOWEVER, THE MISSION SHOULD CONTINUE TO PROMOTE A UNIFIED DONOR POSITION WHICH ENCOURAGES SATCC AND THE NATIONAL RAILWAYS TO MOVE

IN THE IRRADIATION OF CCST-BASED TARIFFS. ADDITIONAL TIME FOR THE FINANCIAL ANALYST ON THE PP DESIGN TEAM WOULD BE REQUIRED TO CARRY OUT THE TASKS DESCRIBED ABOVE.

5. MANPOWER AND MAINTENANCE CAPACITY OF MOZAMBIQUE RAILWAYS. THE PID PROPOSES A HEAVY DOSE OF EQUIPMENT, TECHNICAL ASSISTANCE, AND ON-THE-JOB TRAINING FOR MANAGERIAL AND TECHNICAL PERSONNEL AT THE BEIRA AND MAPUTO WORKSHOPS TO IMPROVE LOCOMOTIVE MAINTENANCE. FACTORS OTHER THAN THE LACK OF HARDWARE AND SKILLS, SUCH AS INADEQUATE SALARY INCENTIVES, LOW LITERACY LEVELS, AND POOR MAINTENANCE POLICIES, MAY LIMIT THE PROGRESS THAT CAN BE MADE IN IMPROVING MAINTENANCE AND WORKER PRODUCTIVITY. THE PP SHOULD INCLUDE AN INVENTORY OF SKILLS IN THE TWO WORKSHOPS AND AN ANALYSIS OF THE FACTORS AFFECTING WORKSHOP PERFORMANCE. OTHER DONOR ACTIVITIES IN THIS AREA SHOULD ALSO BE ASSESSED. BASED ON THIS ANALYSIS, THE PP SHOULD PROPOSE AN APPROPRIATE STRATEGY FOR IMPROVING PERFORMANCE AND REALISTICALLY ASSESS THE GAINS THAT CAN BE EXPECTED DURING THE LIFE OF THE PROJECT. TO THE EXTENT THAT POLICY AND MANAGEMENT CONSTRAINTS ARE IDENTIFIED, THE PROJECT SHOULD ADDRESS THEM AS PART OF THE BROADER INSTITUTIONAL STRENGTHENING EFFORT DESCRIBED ABOVE.

6. MISSION MANAGEMENT CAPACITY. THE PID RECOMMENDS THAT EXPERIENCED USDR ENGINEERS BE ASSIGNED TO BOTH USAID/MALAWI AND USAID/MOZAMBIQUE TO ASSIST THESE MISSIONS IMPLEMENT THIS AND OTHER TRANSPORT PROJECTS.

THE PID ALSO RECOMMENDS THAT THE VACANT PDC POSITION IN

USAID/MOZAMBIQUE BE FILLED AS SOON AS POSSIBLE. THE ECFR STRONGLY ENDORSES THESE STAFFING PROPOSALS.

7. PROCUREMENT.

(A) GEOGRAPHIC CODE. THE PP SHOULD SELECT THE APPROPRIATE AUTHORIZED GEOGRAPHIC CODE(S) FOR FOREIGN EXCHANGE COSTS AND THE "POST COUNTRY" FOR ICCAL CURRENCY COSTS, IN ACCORDANCE WITH THE GUIDANCE CONTAINED IN 86 STATE 74147 (WHICH MORE GENERALLY CONCERNS THE SOUTHERN AFRICA REGIONAL MANPOWER MANAGEMENT DEVELOPMENT PROJECT). THE EXEMPTION FROM FAA SECTION 624(A) AND SIMILAR PROCUREMENT REQUIREMENTS, APPLICABLE TO THE DEVELOPMENT FUND FOR AFRICA, DOES NOT APPLY TO THE SADCC APPROPRIATION.

(B) NEW LOCOMOTIVE PROCUREMENT. THE ECFR AGREED IN PRINCIPLE WITH THE PROJECT STRATEGY OF INCREASING AVAILABLE LOCOMOTIVE POWER THROUGH THE REHABILITATION OF EXISTING LOCOMOTIVES. THIS IS MORE COST-EFFECTIVE THAN BUYING NEW LOCOMOTIVES WHERE THE EXISTING UNITS ARE NOT EXCESSIVELY OLD, DAMAGED, OR INACCESSIBLE. IT WAS POINTED OUT THAT BOTH THE IBRD AND CIDA HAVE ALSO TAKEN THE POSITION THAT NEW LOCOMOTIVE PROCUREMENT IS NOT NEEDED AT THIS TIME IN MOZAMBIQUE. HOWEVER, THERE ARE TWO UNKNOWN FACTORS THAT COULD AFFECT THIS STRATEGY. FIRST, THE NUMBER OF LOCOMOTIVES THAT ARE ACTUALLY REPARABLE (CURRENTLY ESTIMATED AT 30-40) NEEDS TO BE VERIFIED. IT IS UNDERSTOOD THAT THE IBRD IS FINANCING A SURVEY OF THE MOZAMBIQUE FLEET. SECOND, THERE COULD BE A TIME LAG IN REHABILITATION OF THE LOCOMOTIVES UNDER THIS PROJECT, GIVEN THE NEED TO UPGRADE MANAGEMENT, TRAIN MOZAMBIKAN RAILWAY WORKERS, PROCURE SPARE PARTS, INSTITUTE NEW MAINTENANCE PROCEDURES AND POLICIES, ETC. THE PP TEAM SHOULD EXAMINE THE MOZAMBIQUE LOCOMOTIVE AVAILABILITY SITUATION IN A SYSTEMATIC FASHION, INCLUDING THE RESULTS OF THE IBRD SURVEY. THE TEAM SHOULD DEVELOP A REALISTIC TIMETABLE FOR REHABILITATION OF THE LOCOMOTIVES AND COMPARE THIS WITH PROJECTED TRAFFIC DEMAND. IF THERE APPEARS TO BE A SIGNIFICANT GAP BETWEEN DEMAND AND LOCOMOTIVE AVAILABILITY, THE FUNDING OF NEW LOCOMOTIVES COULD BE CONSIDERED AS ONE DESIGN OPTION TO BRIDGE THAT GAP.

(C) TECHNICAL ASSISTANCE AND TRAINING. THE ECFR ENCOURAGED THE MISSION TO CONSIDER OBTAINING TECHNICAL ASSISTANCE AND TRAINING SERVICES FOR THE PROJECT FROM EXPERIENCED, SUCCESSFUL RAILWAYS. IN ADDITION TO U.S.

SOURCES, THE MISSION SHOULD SEEK TRAINING INSTITUTIONS IN THE SADCC COUNTRIES FOR PROJECT PARTICIPANTS. TRAINING SHOULD NOT TAKE PLACE IN SOUTH AFRICA (UNLESS ABSOLUTELY NO ALTERNATIVE IS AVAILABLE) BUT IN INDEPENDENT BLACK STATES TO MEET THE PROGRAM OBJECTIVES AND CONTRIBUTE POSITIVELY TO THE LONG-TERM DEVELOPMENT GOALS FOR THE MAJORITY POPULATIONS OF SOUTHERN AFRICA. THE MISSION SHOULD BE AWARE THAT A WAIVER BY THE AA/AFR, PURSUANT TO HANDBOOK 1B, CH. 51.10.A(2) AND 5D.10.D,

WOULD BE REQUIRED TO CONTRACT WITH A RAILWAY COMPANY WHICH IS GOVERNMENT OWNED. IF THIS APPEARS TO BE A DESIRABLE OPTION, THE MISSION SHOULD CONSULT CLOSELY WITH THE RIA TO DEVELOP THE APPROPRIATE JUSTIFICATION FOR THE WAIVER.

RELATED TO THIS, THE PP SHOULD ASSESS THE HOUSING AND OTHER LIVING CONDITIONS FOR THE PROPOSED CONSULTANT TEAM IN MOZAMBIQUE, PARTICULARLY IN BEIRA, AND THE IMPLICATIONS FOR THE SIZE AND WORKING ARRANGEMENTS OF THE TEAM. THE PP SHOULD DESCRIBE THE CAPACITY OF USAID/MOZAMBIQUE TO SUPPORT THE CONSULTANTS AND DISCUSS ANY STEPS THAT MAY NEED TO BE TAKEN TO ENSURE THE EFFECTIVENESS OF THE PROJECT FINANCED CONSULTANTS.

(D) SPARE PARTS PROCUREMENT. THE PP TEAM SHOULD CAREFULLY ANALYZE THE REQUIREMENTS FOR SPARE PARTS AND RELATED TOOLS AND EQUIPMENT FOR THE REHABILITATION OF THE GENERAL ELECTRIC LOCOMOTIVES IN THE MOZAMBIQUE RAIL. THE TEAM SHOULD MAKE A TECHNICAL DETERMINATION OF THE EXTENT TO WHICH SPARES COULD BE COMPETITIVELY PROCURED WITHOUT JEOPARDIZING THE PERFORMANCE OF THE REHABILITATED LOCOMOTIVES. THE TEAM SHOULD ALSO DETERMINE THE EXTENT TO WHICH TOOLS AND EQUIPMENT ARE AVAILABLE FROM THE U.S. AND OTHER AUTHORIZED GEOGRAPHIC SOURCES. FOR THIS PURPOSE, THE PP TEAM SHOULD INCLUDE BOTH A SPECIALIST IN LOCOMOTIVE MAINTENANCE AND AN A.I.D. COMMODITY PROCUREMENT OFFICER. IF A SOURCE WAIVER FOR SPARES IS DEEMED APPROPRIATE, IT SHOULD BE INCLUDED IN THE PP IF POSSIBLE. THERE MAY ALSO BE NEED FOR A CODE 935 WAIVER FOR PROCUREMENT OF SPECIALIZED

TOOLS AND EQUIPMENT. THE PP SHOULD ALSO CONSIDER
EQUIPPING AN A.I.D. FORM 11 FOR SPARE PARTS
PROVISIONS, TO FACILITATE POST-AUDITS FOR PRICING.

IN LIGHT OF RECENT EXPERIENCE WITH TAZARA, THE MISSION
SHOULD CONSIDER INCLUDING FUNDING IN THE PROJECT FOR
SPECIALIZED LONG-TERM TECHNICAL ASSISTANCE SPECIFICALLY
TO HELP IN THE PROCUREMENT AND MANAGEMENT OF THE LARGE
QUANTITY OF SPARE PARTS TO BE FINANCED BY A.I.D.

6 OTHER LEGAL CONCERNS.

(A) E11(E) CERTIFICATION. GC/AFR ADVISES THAT A SECTION
E11(E) CERTIFICATION IS REQUIRED FOR THE MOZAMBIQUE AND
MALAWI PORTIONS OF THE PROJECT. THIS SHOULD BE
TRANSMITTED TO AA/AFR FOR HIM TO TAKE INTO CONSIDERATION
PRIOR TO FIELD APPROVAL OF THE PP. IN THE CASE OF
MOZAMBIQUE, THE CERTIFICATION SHOULD TAKE INTO ACCOUNT
THE ASSISTANCE THAT WILL BE PROVIDED DURING THE PROJECT
TO IMPROVE THE MAINTENANCE CAPABILITIES OF MOZAMBIQUE
RAILWAY.

(E) COMMINGLING. ALTHOUGH THERE IS NO REASON TO BELIEVE
A PROBLEM EXISTS, THE PROJECT TEAM SHOULD INVESTIGATE THE
NATURE OF ANY INVOLVEMENT BY COMMUNIST BLOC COUNTRIES IN
MOZAMBIQUE'S RAIL SYSTEM AND, WITH SUPPORT FROM THE RLA, DETERMINE WHETHER
A COMMINGLING WAIVER IS REQUIRED. THE
PP SHOULD INCLUDE A BRIEF DISCUSSION OF THE FINDINGS.

9. INITIAL ENVIRONMENTAL EXAMINATION. THE IEE CONTAINED
IN THE PID HAS BEEN REVIEWED BY THE BUREAU ENVIRONMENTAL
OFFICER AND SENT TO GC/AFR FOR CLEARANCE. A COPY OF THE
SIGNED IEE WILL BE FURNISHED TO USAID/HARARE.

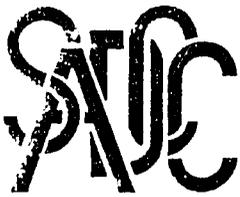
~~10. AA/AFR HEREBY DELEGATES AUTHORITY TO THE DIRECTOR,
USAID/HARARE, TO AUTHORIZE THE CAPTIONED PROJECT IN AN
AMOUNT NOT TO EXCEED DOLS. 50,000,000. THIS AD HOC
DELEGATION OF AUTHORITY SHALL BE EXERCISED IN ACCORDANCE
WITH ALL THE TERMS AND CONDITIONS OF DCA 551, EXCEPT FOR
THE DOLLAR AMOUNT LIMITATION. ANY WAIVERS REQUIRING
AA/AFR OR A/ID APPROVAL SHOULD BE FORWARDED TO AID/W
PRIOR TO PP APPROVAL.~~

~~11. AID/W UNDERSTANDS THAT OBLIGATIONS WILL OCCUR WITH
THE GOVERNMENTS OF MOZAMBIQUE, SWAZILAND, AND MALAWI,
AND WITH SATCC. WE SUGGEST THAT THE REDSO/E AND
SWAZILAND RLA'S COORDINATE AS TO THE RESPONSIBILITY FOR
THE MALAWI OBLIGATION. WHITEHEAD~~

BT

42126

NNNN



SOUTHERN AFRICAN DEVELOPMENT
COORDINATION CONFERENCE

SOUTHERN AFRICA TRANSPORT AND
COMMUNICATIONS COMMISSION (SATCC)

CP 2677, MAPUTO
MOZAMBIQUE

TELEPHONE: 20246
TELEX: 6597 SATTCC MO

United States Agency
for International
Development
1 Pascoe Avenue
P.O. Box 3340
Zimbabwe

Att. Ms Allison Herrick
Director

TU/L/272/88
25.07.88

Dear Madam,

USA Assistance to SATCC

Please refer to the telex sent by Mr. Denis Light, Regional Engineer on 21st July 1988, concerning the above subject.

Technical assistance to the Swaziland Railway is included in the SATCC programme as Project No. 2.6.3, rehabilitation and acquisition of locomotives, rolling stock and maintenance equipment for Malawi Railways as P. 2.4.2, rehabilitation of workshops, spares etc are included in Project No. 2.5.3, Railway Projects in Beira Port Transport System, and rehabilitation and acquisition of locomotives, including maintenance and technical assistance for CFM in Project No. 2.5.12.

I enclose herewith the relevant project briefs for your consideration.

Please, note that adjustments to these projects can be made based on possibly forthcoming more detailed information. For that purpose there is no need to submit these projects again to the Coordinating Committee of SATCC.

Member States	Angola	Malawi	Tanzania
	Botswana	Mozambique	Zambia
	Lesotho	Swaziland	Zimbabwe

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Your support of SATCC is highly appreciated

Yours faithfully,
SOUTHERN AFRICA TRANSPORT
COMMUNICATIONS COMMISSION
MAPUTO

M. Matolo
Chairman of the Co-ordinating
Committee of SATCC

(2)

I should be grateful for your favourable consideration of this request and shall request you to send as soon as possible the draft project documentation and the draft project agreement.

Yours sincerely,



RUI LOUSA

- Vice Minister of Transport
and Communications

N/ Ref. 29/MTC-GAB/88
MAPUTO, 11/Junho/1988

cc: Mr Julius Schlotthouer
USAID Representative,
Rua Faria de Sousa, 107
MAPUTO, MOZAMBIQUE

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In reply please quote No. USA/2

MINISTRY OF FINANCE
P.O. BOX 30049
LILONGWE 3
MALAWI

Telegrams: FINANCE, Lilongwe
Telephone: Lilongwe 731 311

Communications should be addressed to:
The Secretary to the Treasury



15 July 1988

The Acting Mission Director
United States Agency for International Development
P O Box 30455
Lilongwe 3

(Attention: Dr Richard Shortlidge)

Dear Sir,

I am writing in order to submit a Malawi Government's formal request to the USAID for the financing, on a grant basis, of a project that is intended to increase the capacity and capability of the locomotives fleet of Malawi Railways by providing parts for bombardiers, a railway recovery crane and other minor items.

We would specifically wish to request for funds amounting to US \$7 million for the proposed program which has already been discussed between Malawi Railways and a USAID sponsored design team.

Your favourable response to our request will very much be appreciated.

Yours sincerely,

H Maondo
for SECRETARY TO THE TREASURY

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Chika	✓	7/15/88

Works and Communications,
P. O. Box 58,
MBABANE.

30th May, 1988.

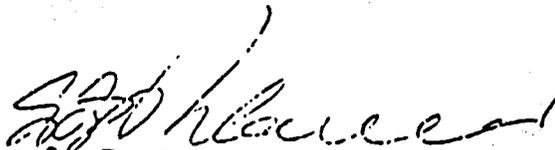
Mr Matola,
Chairman of the Co-ordinating
Committee of SATCC,
P. O. Box 2677,
MAPUTO.
Mozambique.

Dear Mr Matolo,

Please find project brief for technical Assistance and
Management training to Swaziland Railways.

We request this be included in the current transport
project portfolio.

With best Regards,


G. F. DHLAMINI
DEPUTY PRINCIPAL SECRETARY

Enc.

SATCC PROJECT SUBMISSION

Project Title:

Provision of technical assistance and management training to Swaziland Railways.

Estimated Total Cost:

Total: USD 4.7 million
Foreign: USD 3.5 million
Local: USD 1.2 million

Secured Funding:

Foreign: USD 3.5 million

Financing Gap:

USD 1.2 million

Executing Agency:

Swaziland Railways

Duration:

5 years

Scope:

Provision of technical assistance and management training to Swaziland Railways, forming part of a new regional rail transportation project whose ultimate aim is enhancing the efficiency and capacity of the rail system within the SADCC region.

Contents:

The project consists of provision of technical assistance for a period of three years in the areas of General Management, Marketing and Financial Management and for a period of two years in the areas of Operations and Mechanical Engineering.

A total of 1 1/2 years will be provided in the area of human resources, comprising short term training in the managerial functions identified above.

Finally, for a total period of 4 years, provision shall be

made for long term training for pre - selected candidates.

Status:

The above project will be based on the recommendations of an evaluation Mission presently being undertaken by USAID.

Action:

Completion of Mission. Approval and subsequent implementation of their recommendations



SWAZILAND GOVERNMENT

Department of Economic Planning and Statistics,
P.O. Box 602,
MBABANE.

Ref: ECO/07/2/2Vol.1/74 23rd June, 1988.

The Director,
USAID Mission to Swaziland,
P.O. Box 750,
MBABANE.

Dear Sir,

RE : REQUEST FOR TECHNICAL ASSISTANCE SWAZILAND RAILWAY

SADCC has requested US assistance in increasing access for landlocked countries to the regional ports and provision of alternative transport facilities to African Countries dependent on transport routing via Swouth Africa.

In response to this request the Southern African Region Programme USAID/Zimbabwe assessed the region's transportation systems by means of two major studies. The studies concluded that projects promoting the rail system were the best means of achieving SADCC objectives. Three projects were identified in the rail sector, one of them falling in Swaziland with the provision of technical assistance and training to Swaziland Railway.

Authorization to fund and implement this project can only be obtained from SADCC. A formal request to SADCC in Maputo has been made requesting them to include the project in the transport portfolio.

The intial estimated cost of the project is £4.7 million, of which £3.7 million constitutes grant funding from the USA Government, leaving £1.2 million to be funded by Swaziland railway in cash or in kind.

The Government of Swaziland kindly requests USAID to fund this project.

Your sympathetic consideration will be highly appreciatead.

Yours faithfully,

S. T. MOTSA
for : PRINCIPAL SECRETARY ..

WAIVER JUSTIFICATIONSI. Proprietary Procurement for G.E. Spare Parts and Equipment - Mozambique ComponentA. Problem:

A proprietary procurement waiver is requested under the Mozambique component of the Regional Rail Systems Support Project (690-0247) to permit procurement of General Electric diesel electric locomotive parts and General Electric testing equipment for workshops.

B. Discussion:

The Mozambique component of the project entails, among other things, the procurement of spare parts to rehabilitate eight and maintain fifty-four diesel electric locomotives during the life of the project. The locomotives were manufactured by the General Electric Company (G.E.) and the total requirement for parts will be \$15,500,000. In addition, specialized workshop testing and maintenance equipment for G.E. locomotives will be procured for the maintenance and rehabilitation activities at a total cost of \$2,200,000.

The locomotive parts and workshop equipment are manufactured by G.E., or under licenses granted by G.E. No other manufacturers make the parts and testing equipment in question, and only G.E. approved parts and equipment can be used to rehabilitate and maintain Mozambique's fleet of G.E. diesel electric locomotives. The General Electric Company has taken a strong position that only genuine G.E. parts should be used in the rehabilitation, repair and maintenance of G.E. locomotives. (Genuine G.E. parts are defined as those parts either manufactured by G.E. itself or by other firms for G.E. with testing by G.E.) The company's position is based on a history of bad experiences with unauthorized, inferior parts provided by other firms. G.E. has reported to AID that the company has been plagued by uneven quality and inferior metallurgy in many of the "clone" parts provided for use in G.E. equipment by other firms. These parts, which are not approved or tested by G.E., can cause serious damage to the engine and other moving parts of locomotives.

There are precedents for the procurement of G.E. parts on proprietary basis for the rehabilitation and maintenance of G.E. locomotives. The Regional Transport Development I Project (690-0236) has provided spare parts for both Zambia's and Mozambique's fleet of G.E.-manufactured diesel electric locomotives. In 1987, AID signed an agreement with the Tanzanian-Zambia Railway Authority (TAZARA) which included the

procurement of spare parts for locomotives built by the Krupp Company of West Germany under a G.E. license. In all three cases, AID approved proprietary procurement waivers for G.E. locomotive parts (totalling \$12,000,000).

One criterion for proprietary procurement, as set forth in Handbook 11, Chapter 3, Section 2.2.5b(3), is that "special design or operation characteristics are required". In this case, it has been demonstrated through experience that parts other than genuine G.E. parts do not have the quality and dependability characteristics critical to the success of the locomotive rehabilitation and maintenance activities of the project. Similarly, only G.E. testing equipment can be used in the locomotive maintenance workshops to test and maintain G.E. locomotives.

In accordance with Handbook 11, Chapter 3, Section 2.2.3a, Mission Directors have authority to approve informal competitive procedures (i.e. "competitive negotiation") for host country contracting when proprietary procurement is justified. In this case, proprietary procurement is considered justified, and the required G.E. parts and equipment will be procured pursuant to competitive negotiation with the several U.S. suppliers of G.E. parts and equipment.

C. Recommendation:

That, in accordance with the authority vested in you as set forth in Handbook 11, Chapter 3, you approve the proprietary procurement of spare parts costing \$13,500,000 and workshop equipment costing \$2,200,000 from U.S. suppliers of genuine General Electric parts and equipment.

II. Approval for Procurement of Training Services from Government-owned Organizations

A. Problem:

To approve government-owned organizations in the SADCC region as a suppliers of short-term training services under the Regional Rail Systems Support Project (690-0247).

B. Discussion:

Pursuant to the Regional Rail Systems Support Project, a substantial quantity of equipment and spare parts will be procured and technical assistance furnished to the railway authorities in Malawi, Mozambique, and Swaziland. Most of the equipment and spare parts will be procured for Malawi and Mozambique, with Swaziland receiving primarily technical assistance. In each project component there is projected measure of short-term training for local railroad personnel in such areas as industrial safety and health, computerization,

supplies and stores, management, staff salary and incentive schemes, audits and internal controls and railway finance.

The principal provider of railway training services of this kind in the SADCC region is the National Railways of Zimbabwe (NRZ) organization. Personnel from Malawi Railways, Mozambique Railways and Swaziland Railways have utilized previously the in-service, short-term training provided by NRZ. Because NRZ is a successfully operated railway, it is in many respects a model for less efficient railways in the region and could serve as a focal point for future efforts toward procedural and hardware standardization within the region. Therefore, it would be desirable to continue to utilize NRZ for short-term training under this Project.

NRZ is a government-owned organization, which is not eligible for financing by A.I.D. as a contractor or subcontractor, except if its eligibility is established by waiver. (See HB1R Chapter 5D 10.) Authority to grant waivers to make government-owned organization eligible is accorded to the Mission Director when the competition for obtaining the contract will be limited to host country firms or organizations.

It is entirely consistent with AID policy to limit the procurement of such training to SADCC institutions. The ECPR guidance cable (State 102126) specifically states:

"The ECPR encouraged the Mission to consider obtaining technical assistance and training services for the project from experienced, successful railways. In addition to U.S. sources, the Mission should seek training institutions in the SADCC countries for project participants. Training should take place in independent black states to meet program objectives and contribute to long-term development goals for the majority populations in Southern Africa".

As one of the leading railways in Africa and a critical institution for SADCC's programs, NRZ would seem to clearly meet the above-quoted criteria for sources for participant training under the Project. Moreover, the ECPR guidance message referred to 86 State 074147 as the appropriate procurement source/origin nationality ruling for this Project. In that message, AID/W advised that the Mission could consider all SADCC member countries as host countries for purposes of the authorized geographic code. This approach has been used by the Mission in each subsequent regional project.

C. Recommendation:

That, based upon the above discussion and the cited AID/W guidance, you approve the inclusion of government-owned training institutions including NRZ, as eligible contractors for short-term training services under this project.

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III. Source/Origin and Proprietary Procurement Waiver for Bombardier Locomotive Spare Parts - Malawi Component

A. Problem:

A source/origin and proprietary procurement waiver is requested under the subject project to permit procurement of Bombardier diesel electric locomotive spare parts, directly from suppliers in Canada (source of the locomotive) in an amount not to exceed \$1,000,000.

B. Discussion:

A major component of the project is to provide spare parts to maintain and overhaul 15 Bombardier diesel electric locomotives and a repair four damaged Bombardiers already in Malawi Railway's possession. Locomotive spare parts for periodic maintenance, general overhaul and accident rehabilitation will cost an estimated \$2,840,000. More detail on the breakdown of these parts is provided in Annex H. and a full list of parts is on file in the office of the Regional Engineer at USAID/Zimbabwe.

Of the total locomotive parts to be procured under the project, some 65 percent are manufactured in the U.S. and can be procured competitively through U.S. primary and secondary sellers of ALCO engines parts, G.E. electrical parts and WABCO brake parts. The remaining 35 percent of the locomotive parts are manufactured by Bombardier itself in Canada and are available only through Canadian suppliers. This waiver would authorize procurement from Code 935 countries, with Canada as the indicated source and origin, of Bombardier locomotive parts in an amount not to exceed \$1 million. This figure is derived from an itemized parts list totalling \$906,000, plus a contingency of 10 percent, raising the amount to \$997,000, which has been rounded to \$1,000,000.

The basic objective of this project is to sustain the capacity of Malawi Railways to maintain its 19 Bombardier locomotives. As noted above, these locomotives are manufactured in Canada, with U.S.-made ALCO engines, G.E. electrical systems and WABCO brake systems, also U.S.-made. Since the majority of the componentry is U.S. source and origin (65 percent), it is deemed appropriate for A.I.D. funding. CIDA of Canada has not expressed interest in financing spares for these locomotives, reportedly in part because of their high degree of U.S. componentry.

According to Handbook 1, Supplement B, Chapter 5, Section B.4(a), when the authorized source/origin (in this case AID geographic code 941) may be waived if the commodity is not available from countries included in the authorized geographic code. Similarly, Handbook 1B, Chapter 12, Section C.3 and

Handbook 11, Chapter 3, Section 2.2.5 permit Mission Directors to approve proprietary procurement when special design or operational characteristics are required.

Under Delegation of Authority 551, revised, you have the authority to approve a source/origin waiver for amounts to up to five million dollars per transaction. In this case the source/origin waiver is combined with a proprietary procurement waiver in the same amount, \$1 million, in favor of primary and secondary sellers in Canada dealing with Bombardier locomotive parts. Appropriate legal and technical clearances have been obtained and your approval of this waiver will be demonstrated by your signature below.

C. Recommendation:

That, for the reasons above, you (a) approve proprietary procurement of Bombardier locomotive parts, (b) waive the eligible source and origin for these commodities in favor of procurement from a code 935 source, and (c) certify that exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941, would seriously impede attainment of U.S. Foreign Policy objectives and objectives of the Foreign Assistance Program.

Clearance: RLA/SA:ESpriggs August 2, 1988

DOC. 0019w

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ENVIRONMENTAL THRESHOLD DECISION RECOMMENDATION

A. Technical Assistance and Training

The TA and training activities for the Swaziland, Mozambique and Malawi components of the Project qualify for a Categorical Exclusion under the provisions of Reg. 16.

B. Railway Systems Improvements

Anticipated assistance in this area will consist of providing spare parts and equipment for the repair, rehabilitation and maintenance of locomotives and wagons for the existing workshops in Malawi and Mozambique. There is no new construction of workshops, rail lines or any other infrastructure involved in the program.

A minimal amount of air pollution due to dust and noise can be expected in the repair period. However, these will be in existing workshop facilities which are located in open, sparsely populated areas. The Projects will not cause any inefficient utilization or waster of natural resources in the area.

Wildlife have adjusted to the existing railroads, and no additional obstruction to their movement will occur. With the exception of temporary changes, no negative impact on vegetation is anticipated.

In all cases of railway improvement, positive changes will result from improved access of the population of the Southern African countries to import and export markets. In addition, the people of the landlocked countries will have a direct benefit of more reliable access to the sea. Training and supply of material and equipment to railroad workshops will assist in upgrading local artisan skills.

Anticipated railway activities to be funded under this project do not differ significantly from those under Regional Transport Development II, for which a negative determination was approved. In fact, initial Phase II subprojects in this sector will likely be activities which complete or augment Phase II efforts. For this reason, in conjunction with the preliminary examination of environmental consequences above, a negative determination is recommended.

Project Country: Southern Africa Regional
Project Title: Regional Rail Systems Support Project
(690-0247)
Funding: SADF
LOP: \$48,832,000
FY 88: \$27,530,000
FY 89: \$21,302,000
IEE prepared by: USAID/Zimbabwe

Environment Action Recommended:

- 1) Technical assistance and training for Malawi, Mozambique and Swaziland : Categorical Exclusion.
- 2) Anticipated locomotive and rolling stock rehabilitation, workshop equipping, and supply of spare parts: Negative Determination.

Action Recommended by: Allison B. Herrick
Director, USAID/Zimbabwe

Clearance: GC/AFR: _____

Bureau Environmental Officer Concurrence:

Approved: (See State 246317 Attached)

Disapproved: _____

Date: _____

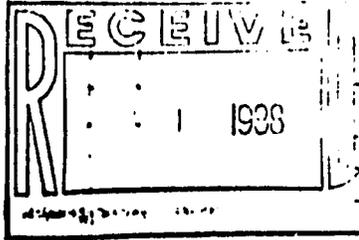
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STATE 246317

(5) ACTION AID-3 INFO AMB DCM

VZCZCSB0887
PP RUFHSD
DE RUEHC #6317 2120003
ZNR UUUUU ZZH
P 292359Z JUL 88
FM SECSTATE WASHDC
TO AMEMBASSY HARARE PRIORITY 7257
BT
UNCLAS STATE 246317



LOC: 194
30 JUL 88 1041
CN: 29781
CHRG: AID
DIST: AID

OFFICIAL FILE

AIDAC

E.O. 12356: N/A

SUBJECT: SARP REGIONAL RAIL SYSTEMS SUPPORT PROJECT
(690-0247)

REF: MORRIS/RIEGELMAN TELCON 7/29/88

1. INITIAL ENVIRONMENTAL EXAMINATION FOR SUBJECT
PROJECT WAS APPROVED BY BUREAU ENVIRONMENTAL OFFICER
MARCH 30, 1988. COPY OF SIGNED IEE BEING POUCHED TO
MISSION. REGRET DELAY IN ADVISING APPROVAL. SHULTZ
BT
#6317

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STATE 246317

VZCZCSBI
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 DE RUEHSP #3285/01 215 **
 ZNR UUUUU 22H
 C 221400Z AUG 88
 FM AMEMBASSY HARARE
 TO RUEHC / SECSTATE WASHDC IMMEDIATE 2822
 INFO RUEHLE / AMEMBASSY LILONGWE 3233
 RUEHTO / AMEMBASSY MAPUTO 4639
 RUEHMP / AMEMBASSY MBABANE 2430
 RUEHNR / AMEMBASSY NAIROBI 9663
 BT
 UNCLAS SECTION 01 OF * HARARE 03285

CLASS: UNCLASSIFIED
 CERG1: AID AUG 22 88
 APPRV: AID/D:AMERRIC
 DRFTD: HLA:FSPRIGGS/CM
 CIEAR: PDO:GMORFIS
 DISTR: AID-3 AMB DOM

AIDAC

FOR ASSISTANT ADMINISTRATOR GLADSON FROM DIRECTOR
 HERRICK

F.O. 12356: N/A

SUBJECT: REGIONAL RAIL SYSTEMS SUPPORT PROJECT (690-2247)
 -- 611(E) CERTIFICATION

REF: STATE 102126

1. REPTEL CONTAINING ECPR APPROVAL OF PID AND PROJECT DESIGN GUIDANCE FOR SUBJECT PROJECT STATED IN PAPA 8(A) THAT A SECTION 611(E) CERTIFICATION IS REQUIRED FOR THE MOZAMBIQUE AND MALAWI PORTIONS OF THIS PROJECT, AND THAT THE CERTIFICATION SHOULD BE TRANSMITTED TO AA/AFR FOR HIM TO TAKE INTO CONSIDERATION PRIOR TO FIELD APPROVAL OF THE PF.
2. AS RESPONSIBLY AUTHORIZING OFFICIAL FOR THIS PROJECT PURSUANT TO REPTEL PARA 10, I HEREBY CERTIFY THAT THE REQUIREMENTS OF FAA SECTION 611(E) HAVE BEEN MET BASED UPON INFORMATION CONTAINED IN PARAS 3 AND 4 BELOW. GIVEN A TIGHT TIME FRAME FOR OBLIGATION, WE WILL ASSUME, ABSENT AIT/W ADVICE TO THE CONTRARY, THAT THIS CERTIFICATION WILL BE TAKEN INTO CONSIDERATION BY YOU ON OR BEFORE 15 AUGUST 1988, THE ANTICIPATED DATE OF AUTHORIZATION.
3. FULL TEXT OF USAID/MALAWI 611(E) CERTIFICATION FOLLOWS, QUOTE:
 AS THE OFFICER SERVING AS PRINCIPAL REPRESENTATIVE OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT IN MALAWI, HAVING TAKEN INTO ACCOUNT THE MAINTENANCE AND UTILIZATION OF PROJECT CAPITAL ASSISTANCE IN MALAWI PREVIOUSLY FINANCED BY THE UNITED STATES, NAMELY THE CHILWAWA-BANGUAL ROAD, THE LILONGWE-MCHINJI ROAD, THE BLANTYRE-MWANZA-TETE ROAD, THE SCIENCE LABORATORY LIBRARY AT THE POLYTECHNIC, AGRICULTURAL RESEARCH FACILITIES, THE BUNDA COLLEGE PROJECTS, THE LILONGWE SCHOOL OF HEALTH, THE RURAL PIPEL WATER SUPPLY PROJECT, THE MALAWI NORTHERN TRANSPORT CORRIDOR, AND THE PERFORMANCE OF MINISTRY OF AGRICULTURE AND NATURAL RESOURCES, MINISTRY OF TRANSPORT AND COMMUNICATIONS, MINISTRY OF HEALTH, MINISTRY OF WORKS AND

SUPPLIES, MALAWI RAILWAYS (LAMP SERVICES) WITH REGARD TO PREVIOUS AND ON-GOING AID PROJECTS IN MALAWI, I HEREBY CERTIFY THAT IN MY JUDGEMENT THE GOVERNMENT OF MALAWI HAS THE FINANCIAL AND HUMAN RESOURCE CAPABILITIES TO MAINTAIN AND UTILIZE EFFECTIVELY THE CAPITAL ASSISTANCE TO BE CARRIED OUT UNDER THIS PROJECT.

SIGNED BY
RICHARD SHORTLIDGE
ACTING MISSION DIRECTOR
USAID/MALAWI

DATE: JULY 21, 1988

UNQUOTE.

4. FULL TEXT OF USAID/MOZAMBIQUE 611 (E) CERTIFICATION FOLLOWS, QUOTE:

THE REGIONAL RAIL SYSTEMS SUPPORT PROJECT WILL STRENGTHEN AND EXPAND THE CAPACITY AND OPERATIONAL EFFICIENCY OF REGIONAL RAIL TRANSPORT IN MALAWI, MOZAMBIQUE AND SWAZILAND AS WELL AS THE OTHER SADC COUNTRIES. IN MOZAMBIQUE, THE PROJECT WILL PROVIDE FUNDING FOR LOCOMOTIVE AND WAGON REHABILITATION, CONSTRUCTION AND REPAIR OF MAINTENANCE WORKSHOPS, PROCUREMENT AND INVENTORY CONTROL, SPARE PARTS FOR LOCOMOTIVE MAINTENANCE, AND TECHNICAL ASSISTANCE.

MOZAMBIQUE IS COMMITTED TO THIS PROJECT AND HAS AGREED TO PROVIDE LAND FOR HOUSING, COUNTERPART STAFF AND EXTENSIVE SECURITY MEASURES TO PROTECT THE INVESTMENTS OF AID AND OTHER DONORS IN THEIR RAIL NETWORKS.

THE UNITED STATES HAS PREVIOUSLY PROVIDED FUNDS TO MOZAMBIQUE AND SPECIFICALLY CPM, FOR LOCOMOTIVE REHABILITATION, WORKSHOP CONSTRUCTION, AND TRAINING. IN ADDITION, THE U.S. GOVERNMENT HAS PROVIDED EXTENSIVE FOOT AID. TO DATE, THE MOZAMBIQUE GOVERNMENT HAS BEEN ACTIVELY INVOLVED IN THE IMPLEMENTATION OF PROJECTS AND HAS PROVIDED THE NECESSARY FUNDS AND COUNTERPARTS TO EFFECTIVELY MAINTAIN AND UTILIZE RESOURCES PROVIDED BY THE U.S. GOVERNMENT. FOR THE FORESEEABLE FUTURE, BOTH

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BARANE 23880

THE PUBLIC AND PRIVATE SECTORS IN MOZAMBIQUE WILL CONTINUE TO NEED EXTERNAL SUPPLEMENTS TO THEIR FINANCIAL AND HUMAN RESOURCES.

IN COMBINATION WITH THE TECHNICAL ASSISTANCE BEING PROVIDED UNDER THE REGIONAL RAIL SYSTEMS SUPPORT PROJECT, I CERTIFY THAT THE MOZAMBIQUE GOVERNMENT HAS THE FINANCIAL AND HUMAN RESOURCE CAPABILITY TO EFFECTIVELY MAINTAIN AND UTILIZE THE U.S. GOVERNMENT RESOURCES WHICH WILL BE PROVIDED UNDER THIS PROJECT.

SIGNED BY
JAMES H. PURCELL
AID REPRESENTATIVE, A.I.

UNQUOTE. RAWLINGS
BT
#388E

NNNN

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BARANE 23885

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STATE 261230

(5) ACTION AID-3 INFO AMB DCM

VZCZCSB0610
 OO RUEHSB
 DE RUEHC #1230 2242107
 ZNR UUUUU ZZH
 O 112106Z AUG 88
 FM SECSTATE WASHDC
 TO RUEHSB/AMEMBASSY HARARE IMMEDIATE 7341
 INFO RUEHLG/AMEMBASSY LILONGWE IMMEDIATE 6319
 RUEHTO/AMEMBASSY MAPUTO 8201
 RUEHMB/AMEMBASSY MBABANE 4281
 RUEHNR/AMEMBASSY NAIROBI 3745
 BT
 UNCLAS STATE 261230

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	CHRG: AID	
	DIST: AID	

RECEIVED
AUG 15 1988
OFFICIAL FILE

AIDAC NAIROBI FOR REDSO

E.O. 12356: N/A

SUBJECT: REGIONAL RAIL SYSTEMS SUPPORT PROJECT
(690-0247) - 611 (E) CERTIFICATIONS

REF: HARARE 03885

AA/AFR HAS FAVORABLY TAKEN INTO CONSIDERATION THE 611
 (E) CERTIFICATIONS OF THE ACTING DIRECTOR OF
 USAID/MALAWI AND ACTING A.I.D. REPRESENTATIVE OF
 USAID/MOZAMBIQUE CONTAINED IN REFTEL. WHITEHEAD
 BT
 #1230

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 15 1988	
FBI - NAIROBI	

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STATE 261230

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