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Consultancy Report on The Crop Marketing Agency

***Agricultural Marketing Act***  
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Prepared for:  
*The Ministry of Agriculture, Food and Fisheries, Republic of Zambia*  
*and*  
*The United States Agency for International Development*

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March 5, 1993

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# CROP MARKETING AGENCY

## EXECUTIVE SUMMARY

The Crop Marketing Agency, (the Agency) would be the implementing arm of the proposed Food Security Act of 1993, which would have the following mandates: (1) to promote effective systems for the production, processing and marketing of food commodities within a privatization and free market policy framework, and (2) to encourage the private sector to invest in modern agricultural technology to increase the production and quality of food commodities for the domestic market ensuring the Nations's food security and upgrade the food exports to the neighboring countries.

It is proposed that the Agency would have a Board that would consist of eight members with three representing the Government and five representing the private sector. The Agency would have an Executive Director and five divisions. The five divisions would be: (1) the Food Reserve Division, (2) the Marketing Information Division, (3) the Property Management Division, (4) the Accounting Administrative Division, and (5) the Field Offices Division. The Field Offices Division would have seven offices in the field located in the provinces of Lusaka, Choma, Chipata, Kabwe, Ndola, Kasama, and Mongu. The Board, the Staff Executive Director, and the other four divisions of the Agency would operate from Lusaka. The organization of the Agency is shown in Chart 1 page 7-b.

It is also proposed that the Agency would have, besides the Executive Director, the following staff: (A) for the Food Reserve Division - the Food Reserve Manager, the Inventory Traffic Specialist, and the Grade Standards Specialist; (B) for the Marketing Information Division - the Marketing Information Manager,

the Marketing Information Specialist and the Computer Specialist; (C) for the Property Management Division - the Property Manager and the Property Assistant Manager; (D) for the Accounting and Administrative Division - the Accounting Administrative Manager, the Accountant Financial Comptroller, and the Legal Specialist, and (E) for Field Operations Division - three staff members in each of the seven offices: the Field Office Manager, the Field Marketing Specialist, and the Field Financial Specialist.

The Board would make the high level decisions like the approval of the Agency budgets, the approval of leasing and sale contracts, the nomination of the executive director and division management executives, and the places where the Agency would operate. The decisions made by the Board would be consistent with the Food Security Act of 1993 and other related legislation in order to supply adequate food to the Nation, and to upgrade the production, processing and marketing of the food commodities.

The Executive Director and managers of the division would implement the guidelines of the Board. Their level of decision making is explained in their detailed terms of reference presented in Chapter IV. Since the approval of the Food Security Act would take several weeks and decisions should be taken for the food reserve, storage facilities, and marketing information - a proposed an interim time table of implementation is presented in Chart 2 page 34.

The Agency would operate removing the food price controls and subsidies of the past, privatize the storage facilities, and provide marketing information for the development of the private sector in the rural areas. That is, the Agency would: (1) procure and sell food reserves at market prices, including cost of transportation where the private sector is not supplying food; (2) transfer to the private cooperatives, traders, and processors the Government owned storage facilities; and (3) provide information to

producers, traders, and processors on food marketing opportunities, prices, and stocks through workshops in the field.

The Agency would avoid subsidies and would be a financially self-sustaining institution. It will exist as a corporate body, that would have a professional staff that would provide on-the-job training by very qualified advisors to carry out its mandates. It is expected that the Agency would operate without Government interference. The later is reflected in the Board of the Agency, which would have five representatives from the private sector and only three from government.

The income and expenses of the Agency would operate according to part XI of the proposed Food Security Act, .1993. The income of the Agency would be generate by (a) properly managing Government-owned storage buildings and equipment, and (b) from the management of the food reserve provided by the donors and the GRZ. The expenses would be the costs for managing the Government-owned storage facilities, the food reserve, the marketing information, the promotion of weight and grade standards, and the administration of the Agency. The assumptions on the Agency income and costs are discussed in Chapter VI Financial Plan. It is believed that if the assumptions in the generation of income and expenses of the Agency are accomplished, and an efficient cost effective operation is followed the Agency would be financially self-sustaining. A proposed financial plan is summarized in Table 1, page 35 of this report.

The Agency's net income, subject to the approval of the GRZ, would be used to modernize and expand its services. For this, the Agency would present feasibility business plans that demonstrate financial surplus returns. The guidelines for the creation, administration and functions of the Agency would be the proposed Food Security Act, 1993.

## I. INTRODUCTION

The GRZ sector policy is reflected in the Food Security Act of 1993 and Agricultural Credit Act of 1993, both legislations are in the process of being discussed at the executive and legislative levels of government. Both legislative acts have provisions that create conditions to encourage the private sector to develop an efficient agricultural production and marketing systems. While the Agency would focus in the food reserve, marketing information, and management of the privatization of storage facilities, it would also coordinate work to promote the upgrading of the food commodities quality standards, exports, and investments towards self-sufficiency; and develop exports of maize, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans.

The Agency would operate removing the GRZ authority to control prices and transportation subsidies of the past. That is, the Agency would: (a) procure and sell food reserves at market prices only where the private sector is not supplying food commodities, (b) transfer to the private cooperatives, traders, and processors the Government-owned storage facilities, (c) provide information to producers, traders and processors on food commodities marketing opportunities, prices, stocks, and value added technologies through workshops in the field.

The Agency functions would include the following: (a) establish and manage the National Food Reserve; (b) establish a food commodity marketing and agribusiness information system to inform producers, traders, and processors so the private sector can make sound decisions to trade their commodities and stimulate more efficient production, value added activities and exports of food commodities; (c) promote grade and weight standards for the marketing of food commodities; and (d) manage government-owned

storage buildings and equipment.

The Agency would avoid subsidies and would be a financially self-sustaining institution. It will exist as a corporate body, that would select carefully its staff to carry out its mandate without Government interference. This is reflected in the Board of the Agency, which will have five representatives from the private sector from a total of its eight members.

The funds and expenses of the Agency would operate according to part XI of the proposed Food Security Act, 1993. The income of the Agency would be generated by (a) properly managing Government-owned storage buildings and equipment, and (b) from the management of the food reserve provided by the donors and the GRZ.

The expenses of the Agency would represent the costs of managing the Government-owned storage facilities, the food reserve, the marketing information, the promotion of weight and grade standards, and the financial and administrative operations of the Agency.

The Agency net income, subject to the approval of the GRZ, would be used to modernize and expand its services. For this, the Agency would present feasibility business plans that demonstrate positive financial returns. The guidelines for the creation, administration and functions of the Agency would be the proposed Food Security Act, 1993.

This report was prepared by Mr. Cesar A. Amorin ZATPID/USAID Marketing Advisor and is based on (a) discussions carried out by the Crop Marketing Agency working group that met weekly during January and February of 1993; (b) several meetings and discussions held with Dr. J. McKenzie who clarified the policies of the GRZ for the Food Security Act 1993 legislation and the creation of the Crop Marketing Agency, and provided excellent logistical support; (c)

discussions and interviews with various key persons working in agricultural marketing, credit and legislation; (d) discussions with Mr. Jason French from Lendor International on the Agency financial plan; and (e) revision of numerous Zambia documents in marketing, credit, privatization and legislation.

The author of this report understands that this proposed design of the Crop Marketing Agency dated March 5, 1993 will be adjusted in the following days according to additional discussions of the working group and inputs provided by the donor agency advisors.

The Agency working group was comprised of Messrs. Maimbo (MAFF), J. McKenzie (ZATPID/USAID Senior Advisor), C. Amorin (ZATPID/ACDI Marketing Advisor), Carl Rose (ZATPID/USAID Legal Advisor), G. Clemor (FAO Marketing Advisor), M. Subrahmanyam (FAO Food Security Advisor), J. Oliver (NBICA Administrator), J.B. Walker (MAFF Senior Advisor), D.J. Walker (NRI/USAID Grain Storage Advisor) , W. Saunders (Lendor Financial Advisor), and J. French (Lendor Financial Advisor).

The organization, scope of work, Board and staff terms of reference, and financial plan of the Agency Follow.

## II. ORGANIZATION

The organization of the Agency is shown in Chart 1. (Crop Marketing Organization next page). The Agency would have a Board that would consist of eight members with three representing the Government and five representing the private sector.

The Agency would have an Executive Director and five divisions. The five divisions would be the following: (1) the Food Reserve Division, (2) the Marketing Information Division, (3) the Property Management Division, (4) the Accounting Administrative Division, and (5) the Field Offices Division.

The Field Offices Division would have seven offices in the field located in the provinces of Lusaka, Choma, Chipata, Kabwe, Ndola, Kasama, and Mongu. The Board, the Staff Executive Director, and the other four divisions of the Agency would operate from Lusaka.

The establishment and administration of the Agency, the composition of the Agency, tenure of office and vacancy, financial disclosure reports, and remuneration and allowances of members of the Board and staff of the Agency would follow the provisions included in Sections II and III of the proposed Food Security Act of 1993.

### A. BOARD

The Board of the Agency would be nominated by the Minister of Agriculture, Food and Fisheries, and would consist of the following eight members:

## Government

1. The Permanent Secretary in the Ministry for Agriculture, Food, and Fisheries;
2. The Permanent Secretary in the Ministry for Commerce, Trade, and Industry;
3. The Permanent Secretary in the Ministry for Finance;

## Private Sector

4. A representative of commercial farmers producing agricultural food commodities;
5. A representative of the small scale farmers;
6. A representative of persons engaged in the trading of food commodities;
7. A representative of persons engaged in the processing of food commodities; and
8. A representative of commercial banks making loans to persons engaged in the production, trading, or processing of food commodities.

The legislation would provide that a decision of the Agency on any question would be decided by a majority of the Board members present and voting. However, in the event of an equality of votes, the person presiding at the Board meeting would have the casting vote in addition to his deliberative vote.

The Minister of Agriculture, Food and Fisheries would establish the procedures to select the members of the Board. The

Chairman and Vice Chairman of the Agency would be elected by the Agency from among its members, except that the Permanent Secretaries could not hold either of those offices.

## **B. STAFF**

The Board of the Agency would appoint on such terms and conditions as it deems appropriate, the following personnel:

1. The Executive Director to serve as the Chief Executive Officer;
2. For the Food Reserve Division, the following three staff members: the Food Reserve Manager, the Inventory Traffic Specialist, and the Grade Standards Specialist;
2. For the Marketing Information Division, the following three staff members: the Marketing Information Manager, the Marketing Information Specialist and the Computer Specialist;
3. For the Property Management Division, the following two staff members: the Property Manager and the Property Assistant Manager;
4. For the Accounting and Administrative Division, the following three staff members: the Accounting Administrative Manager, the Accountant Financial Comptroller, and the Legal Specialist.

For administrative purposes, the supporting personnel, that would serve all five divisions would be under the Accounting Administrative Division. The supporting staff would be selected by the Executive Director and would consist of the following: a computer programmer, a computer operation

specialist, one executive secretary, one assistant secretary, two drivers and one messenger/cleaner.

5. For the Field Operations Division, three staff members in each of the seven offices. They would be the Field Office Manager, the Field Marketing Specialist, and the Field Financial Specialist.

### **III. SCOPE OF WORK**

The Agency would be a body corporate with perpetual succession and capable of suing and being sued. Subject to the other provisions of the proposed legislation, it would have the power to do all the acts, and things a body corporate may by law, in order to accomplish its mandate.

The Agency would be prohibited from making loans to members of the Agency, members of any committee it establishes, and members of its staff. The guidelines for the functions of the Agency are indicated in Part IV of the proposed Food Security Act of 1993. The scope of work of the Agency follow:

#### **A. Food Reserve**

On instructions from the Board of the Agency, and subject to being funded by donors or GRZ, the Agency would manage the purchase of maize in the domestic market for the food reserve. If maize is not available in the domestic market, the Agency would, subject to receiving specific instructions from the GRZ, import maize or get it as a donation from donors.

The Agency purchases would be stored at the Monze and Natuseko silos as these do not appear to be on demand by the private sector. The Agency would procure maize, at market prices, close to these two silos to minimize transport costs. The food reserve would be kept at a minimum and would be defined every year according to the maize stock held by farmers and traders, and the recommendations of the Zambia National Early Warning Team Report.

The Agency would operate promoting a free market formation of maize and food prices. The Agency will sell the food reserve at market prices including the cost of transportation, where the

private traders are not meeting the local demand. The Agency would procure maize in August and September at prevailing market prices, using the information generated by the Marketing Information Division.

## **B. Marketing Information**

The Agency would collect marketing information on grain trading, stock and prices; analyze the information; identify food business opportunities and constraints, including specific export markets; and disseminate such information for use by farmers and trader entrepreneurs.

In order to get the marketing information, the Food Security Act, 1993 provides that the traders and processors would register to operate their business. The objective of the registration is to facilitate the Marketing Information Division in collecting the information on the stocks and prices of the food commodities. It would also provide a means for the Agency to easily contact all traders to (a) provide them with market information, both domestic and exports, (b) to inform them of any changes in government policies, like Food Reserve operations, (c) advise them of marketing guidelines, like code of conduct, and (d) inform them of changes in grading standards.

The information provided by the farmer, individual trader or processor would be confidential and would not be used for tax purposes. This information would be used only for food crop marketing analysis, and supply and demand forecast at the regional and national levels. This information would be very valuable for the farmers and traders to market their food commodities at the right price and at the right time for profit.

The Agency would organize workshops in strategic rural areas

to disseminate price information and discuss market opportunities for the farmers and traders.

The Agency would continuously update information on prices in the domestic and regional markets, and identify other specific market opportunities. This information would be regularly updated and submitted to farmers and private traders, so they can make a more intelligent business decision.

### **C. Grade Standards**

The Agency would promote international weight and grade standards for maize, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans. The objective is to help producers, traders, and processors to price adequately their food commodities complying with uniform grade and weight standards.

The Agency would promote the grade standards linked to prices to make producers, traders and processors understand the price rewards they could have for first grade quality foods. This would encourage farmers and traders to deal mainly with first grade food quality demanded by the export markets. In coordination with the Zambia Bureau of Standards, the Agency would promote grade quality standards and enforce them as and when necessary in the marketing operations of the private sector as well as in its own management of the food reserve.

The Food Security Act of 1993 includes provisions to impose penalties for misrepresentation of grade and weight standards and would act as an arbitrator in cases of dispute among private transactions for a fee. Presently the Agricultural Marketing and Processing Infrastructure Project financed by the World Bank would finance the Bureau of standards with laboratory equipment, training and vehicles to improve food grade standards, including testing and

monitoring sanitary quality in foods and animal feeds. The Agency in coordination with the Bureau of Standards would promote first grade food quality in order to establish a good reputation for the Zambian food commodities in the regional and extra-regional international markets.

#### **D. Privatization of Storage Facilities**

The Agency would manage the privatization of the Government-owned storage facilities. For this, the Agency would sell or lease the Government owned storage facilities to cooperatives and private entrepreneurs. Where these properties can not be sold they would be leased for at least five years with the option given to the lessees to buy them. Some storage facilities have already been leased out to private sector trading agents and they may become the successful bidders in the next season.

The Agency would lease the storage facilities at market prices and would encourage the private sector to build new storage facilities in strategic locations. The Agency would verify and update the value of all the facilities. The income generated from the leasing of the storage facilities would go to the Agency. The recovery of the storage facilities and related equipment are being specially provided in the Food Security Act of 1993. All other ZCF and NCZ assets and liabilities would remain with them.

#### **E. Financial Plan**

The financial operations of the Agency would be regulated by part XI of the Food Security Act, 1993. The Agency would maintain separate accounts for (a) the food reserve, (b) the sale and lease of storage facilities, and (c) general accounts. The Agency would include audited statements of accounts on its annual reports to the Minister of Agriculture, and provide interim reports on the Food

## Reserve Account.

The Food Reserve Account would have to be managed in accordance with the instructions issued by the GRZ. The Capital Accounts would record all funds from the sale and lease of the storage facilities. Use of funds from the Capital Account would be approved annually by the GRZ. The general operations account would be entirely under the control of the Agency. The Agency would make recommendations to the Government on the use of these funds, facilities, marketing information, and grade standard services. The Agency would submit them to the Government as frequently as requested.

The manner in which the income accruing to the Agency is utilized would be decided by the GRZ and all profits and losses on these transactions would be to the account of the GRZ. The Agency would make sure it keeps its expenses within the limits of its income and be financially self-sustaining.

## **IV. TERMS OF REFERENCE**

### **A. Board**

The Board would provide the specific guidelines for the operations and functions of the Agency. These guidelines would be consistent with the Food Security Act of 1993 and other related legislation in order to supply adequate food to the Nation, and to upgrade the production, processing and marketing of the food commodities. The Board would make high level important decisions like the approval of budgets, approval of leasing and sale contracts, and nomination of the Executive Director and division management positions.

### **Staff**

The permanent staff, which would include the Executive Director, twelve professionals and five support personnel at headquarters, and 21 professionals in seven provinces as shown in Chart 1. (Crop Marketing Agency Organization). The staff of the Agency would have the following specific terms of reference.

### **B. Executive Director**

The Executive Director of the Crop Marketing Agency would have the following responsibilities:

1. Coordinate and report on the activities and achievements of the Food Reserve Division, Marketing Information Division, Property Manage Division, and Field Operations Division according to the Food Security Act of 1993 and promoting the privatization and free market economy strategy of the GRZ.

2. Coordinate the technical assistance provided by donors supplying the facilities, proper guidelines and liaison between the corresponding division and advisors.
3. Supervise the activities of the Food Reserve Division and report periodically to the Board on the activities and achievements of the Agency on (a) creating the conditions to provide adequate supply of Food to the Nation and (b) the promotion of appropriate grade and weight standards. For the later, the Executive Director would coordinate activities with The Bureau of Standards.
4. Supervise the activities of the Marketing Information Division reporting periodically to the Board on the Division activities and achievements to establish a good marketing and food business opportunity information system.
5. Supervise the activities of the Property Management Division to manage at a profit the storage facilities and equipment.
6. Supervise the activities of the Field Operations Division and develop strategies for the participation of entrepreneurs in strategic rural locations. Make sure that the field offices make the proper business climate analysis, identifying business opportunities that could be explained to farmers and entrepreneurs in their areas of operations.
7. Supervise the Accounting and Administrative Divisions and present business plans that clearly explain the financial viability of the Agency, including specific actions to attain efficient leasing and sale of the government-owned storage buildings and equipment; realistic management of the procurement and sales strategy of the food reserves; and a cost-effective marketing and grade and weight standards

information system to promote the development of food production, processing, and marketing systems.

8. Report to the Board quarterly on the financial position of the Agency, and to the GRZ when requested.

### **C. Food Reserve Division**

The Board would decide on the establishment and operation of the National Food Reserve and the authority of the Agency to handle the donor foods would function according to parts V and VI of the proposed Food Security Act of 1993. The Food Reserve Division would manage the food reserve according to the instructions of the Board.

The main sources for the national food reserve would be the donors and the GRZ. The Agency would market the food reserve at market prices in areas where the private traders are not fully supplying food. The Board would decide where, when, and to whom the Agency would sell the food reserve.

The average annual food reserve for Zambia is projected to be 1 million bags of 90 kgs each (around 90,000 mt). It is estimated that imports of wheat would represent around 30 per cent of the total food supply in Zambia and be financed by the donor community and handled by the Agency. Other donor food commodities would also be handled by the Agency subject to the instructions from the GRZ.

None of the food reserve stocks could be used to regulate prices. The food reserve would be released to the market at ongoing market prices according to the information generated by its Marketing Information Division. The exception would be when there has been a severe drought, for which the GRZ or donor community is

funding the food relief. The terms of reference of the Food Reserve Division staff follow.

### **a. Food Reserve Manager**

Under the supervision of the Staff Executive Director, the Food Reserve Manager would have the following responsibilities:

1. Procure food reserves according to the MAFF food emergency alert recommendations and instructions by the Board, for which a subcommittee of the Board will select the supplier if tender is called;
2. Sell the food reserves at market prices;
3. Manage foods granted to Zambia by the donor community through private sector channels at market prices;
4. Supervise and coordinate the Traffic Coordinator Inventory Specialist and Grade Standards Specialist; and
5. Present monthly reports on the Food Reserve Division activities and achievements.

### **b. Inventory Traffic Specialist**

Under the supervision of the Food Reserve Manager, the Inventory Traffic Specialist would have the following responsibilities:

1. Manage all food reserve logistic operations including the procurement and sale of the food reserve through private sector traders and cooperatives at market prices;

2. Monitor and inspect food reserves, including the collation of statistical information;
3. Inspect and insure that contractors store food reserves applying non-carcinogens pesticides in a timely manner so as to maintain the foods nutritional and quality value;
4. Keep food reserve losses at acceptable levels, which are currently estimated to be 0.5 percent per month - losses due to humidity;
5. Sell the food reserves in the areas designated by the Board at market prices; and
6. Present monthly reports on his activities and achievements to the Food Reserve Manager .

### **c. Grade Standards Specialist**

The establishment of weighing and grading standards for agricultural commodities would function according to part VIII of the proposed Food Security Act of 1993. Under the supervision of the Food Reserve Manager, the Grade Standards Specialist would have the following responsibilities:

1. Set and promote the grade and weight standards for the food commodities for which he will coordinate with the Bureau of Standards;
2. Provide international grading, weighing, packing and fumigation standards for food commodities that would be implemented according to the Food Security Act of 1993;
3. Promote international maize and soybean grading, fumigation

and minimum packing standards immediately; and gradually for wheat, rice groundnut, beans, sorghum, and millet as necessary;

4. Operate as an arbitrator in case of disputes between the farmer and traders, and among traders with regard to food commodities grade and weight standards, for a fee;
5. Provide reliable certificates of inspection with the objective to establish a good reputation for Zambian food commodities in the region; and
6. Present monthly reports on his activities and achievements to the Food Reserve Manager .

#### **D. Marketing Information Division**

The establishment of market information system for the food commodities would function according to part VII of the proposed Food Security Act of 1993.

The Marketing Information Division would focus in maize, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans. The Division would collect and disseminate information on prices, stocks, production forecasts, transport availability and cost, storage capacity and cost, fertilizer costs, and certified seed prices. The terms of reference of the Marketing Information Division staff follow.

##### **a. Marketing Information Manager**

Under the supervision of the Executive Director, the Marketing Information Manager would have the following responsibilities:

1. Supervise the updating of market price information, covering food crops and meal. This will include data collection, analysis, and dissemination;
2. Supervise the collection, verification and analysis of food stocks held by traders, millers and farmers;
3. Supervise the monitoring of crop purchases, imports and exports, off-take sales to be used as an input to the preparation of the country's food balance sheet, and the monthly food security bulletin;
4. Supervise the Marketing Specialist in the forecasting of food supply and demand;
5. Identify the food business opportunities and constraints, including exports, and disseminate such information for use by entrepreneurs;
6. Organize workshops in strategic rural areas to discuss and disseminate the business opportunities to the farmers and traders; and
7. Continuously update information on prices in the neighboring countries and identify specific market opportunities.
8. Present monthly reports on his activities and achievements to the Executive Director .

#### **b. Marketing Information Specialist**

Under the supervision of the Marketing Information Manager, the Marketing Information Specialist would have the following

responsibilities:

1. Develop procedures for the collection of data on food stocks and prices at the national, regional, and district level;
2. Collect information on stocks of maize and food commodities held by private traders;
3. Collect and analyze information on the prices of maize, maize meal, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans in different parts of the country;
4. Collect, update and maintain a list of major grain dealers, millers, including hammer millers, and periodically report the names of such traders in his designated region of operations;
5. Train field marketing personnel in the collection and analysis of prices and stocks of maize, maize meal, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans;
6. Monitor crop purchases, and import and export off-take sales, to be used in the elaboration of the Zambia food balance sheet, and the monthly food security bulletin;
7. Participate in the forecast of the food supply and demand; and
8. Present monthly reports on his activities and achievements to the Marketing Information Division Manager.

### **c. Computer Specialist**

Under the supervision of the Marketing Information Manager, the Computer Specialist would have the following responsibilities:

1. Design and maintain a computerized marketing information system for stocks and prices of food and input commodities at the national, regional and district levels;
2. Work with the Marketing Information Specialist on the analysis and publication of the marketing reports for maize, maize meal, sorghum, wheat, soybean, sunflower, rice, groundnut, millet and beans;
3. Train and conduct workshops on the computerized marketing information system at the field personnel level;
4. Maintain and update the marketing information data base;
5. Assist in carrying out the computerization of grain marketing operations at the District and Provincial levels, including the training of field staff in the use of computers;
6. Maintain such data relevant to food security, as can be retrieved from time to time by the management of the Agency; and
7. Present monthly reports on his activities and achievements to the Marketing Information Division Manager .

## **F. Property Management Division**

The program for the lease and sale of the Government-owned storage facilities would function according to part IX of the proposed Food Security Act of 1993.

The Agency property management function is to privatize the storage facilities and equipment. The Agency will keep and operate two storage facilities in Monze and Natuseko to store food reserve

in-transit.

Under the mandate of the proposed Food Security Act of 1993, the Agency would recover all the government-owned storage buildings and equipment to sell or lease them.

The Agency Property Management Division would have the technical assistance from CIDA, according to the GRZ agreement with the High Commission of the Government of Canada. The terms of reference of the Property Management Division staff follow.

### **a. Property Manager**

Under the supervision of the Executive Director, the Property Manager would have the following responsibilities:

1. Draft and prepare documents for the lease and sale of storage facilities, grain handling equipment, pesticide application, fumigation equipment, warehouse tools and equipment, and any other assets in control of the Agency;
2. Inspect the storage facilities with the view of assessing their market value and rental value;
3. Prepare for the approval by the Board, transparent procedures for the sale and leasing of the assets in control of the Agency;
4. Receive applications from traders for the lease of storage facilities and related housing, analyze and evaluate the applications and submit recommendations to the Executive Director;

5. Verify the quality of storage and residential facilities and report to the Executive Director on the extent of maintenance or repairs required;
6. Inspect all storage facilities at least once a quarter;
7. Submit reports of all inspections to the Executive Director and, if necessary prepare a form for such reports;
8. Maintain channels of communication through the Staff Executive Director with the donor community, to obtain financial assistance to maintain, repair and rehabilitate the storage facilities.
9. Present monthly reports on the Property Management Division activities and achievements.

**b. Property Assistant Manager**

Under the supervision of the Property Manager, the Property Assistant Manager would have the following responsibilities:

1. Lease all government owned storage facilities and buildings;
2. Collect Government-owned storage rental income;
3. Maintain and repair the storage facilities and equipment;
4. Sell the storage facilities and related assets not suitable for rental;
5. Handle repossession and evictions;

6. Obtain and maintain an inventory of all properties under the Agency administration; and
7. Present monthly reports on his activities and achievements to the Property Manager .

## **F. Accounting Administrative Division**

The Accounting and Administrative Division responsibilities are the day to day financial, legal and administrative operations of the Agency. This includes the maintenance of accounting records of the Agency, the preparation of budgets and cash-flows, the preparation of monthly management accounts and financial accounts, and the preparation of year end financial statements for public audit. The Division would comply with part XI of the Food Security Act and accounting standards (both domestic and international), would undertake internal audits, perform the administration of the support staff, the purchase and maintenance of vehicles and equipment and the payroll.

### **a. Accounting and Administrative Manager**

Under the supervision of the Executive Director the Accounting and Administrative Manager would have the following responsibilities:

1. Manage the accounting, administrative and legal affairs of the Agency;
2. Keep and maintain accounting records for the Agency, prepare budgets, and cash flows statements;
3. Monitor actual budgeted performance and performing variance analysis;

4. Prepare monthly financial statements, consolidating all divisions;
5. Purchase and maintenance of vehicles and equipment;
6. Prepare monthly management accounts, including the consolidation of all divisions;
7. Prepare annual financial statements for public audit;
8. Detect misappropriation;
9. Perform all tasks of the Agency Secretary.
10. Present monthly reports to the Executive Director on the Accounting and Administrative Division activities and achievements.

### **b. Accountant Financial Comptroller**

Under the supervision of the Accounting and Administrative Manager, the Financial Comptroller would have the following responsibilities:

1. Prepare the Agency budget and collation of all divisions accounting analysis into reports for the Division Manager and the Executive Director;
2. Ensure centralization of the accounting system including all divisional and district office financial activities in a way to be incorporated easily into the Head Office system;
3. Prepare monthly financial accounts for the Agency as a whole, drawing together all individual divisions;

4. Drawing up capital budgets;
5. Set up the accounting system and controls for the Agency;
6. Ensure that standard international accounting practice are adhered to, monitor the GRZ fiscal budgets and new Acts to determine if they have any impact on the Agency;
7. Perform the Agency internal audits;
8. Ensure compliance with domestic and international accounting standards;
9. Purchase and maintenance of vehicles and equipment;
10. Payroll; and
11. Present monthly reports on his operations and achievements to the Accounting and Administration Manager .

### **c. Legal Specialist**

Under the supervision of the Accounting and Administrative Manger, the Legal Specialist would have the following responsibilities:

1. Prepare the legal papers for the repossession of Government-owned storage facilities and equipment according to the Food Security Act of 1993;
2. Prepare the leasing contracts at market prices according to the findings of the surveys made in regard to the real estate market value of the storage facilities made in his area of operations;

3. Prepare the legal papers for the sale of the storage facilities at on going real estate market values;
4. Enforce the legal aspects of registration and penalties of producers and traders with regard to registration, misrepresentation of food commodity prices and stocks, grades and weights; and
5. Present monthly reports on his activities and achievements to the Accounting and Administration Manager .

## **G. Field Operations Division**

The main functions of the Field Operations Division would be to obtain food and storage market value information in their areas of operations and prepare initial analysis following the guidelines provided by the Executive Director, the Food Reserve Division, the Management Information Division, the Property Management Division, and the Accounting and Administrative Division.

The terms of reference of the Field Operation Division seven offices staff follow.

### **a. Field Office Manager**

Under the supervision of the Executive Director, the Field Office Manager of each of the seven field offices, would have the following responsibilities:

1. Channel to the corresponding headquarters division: the field information on food reserves, marketing information, property recovery, leasing, selling and collecting of rental income, and field office financial statements.

2. Direct, coordinate and supervise the activities of the Field Marketing Specialist and the Field Financial Specialist in the procurement and analysis of the food reserve, marketing, property management and accounting information;
3. Participate in the forecasting of food supply and demand in his area of operations;
4. Provides inputs into the national early warning system for food security, in particular the monthly food security bulletin in his area of operations;
5. Identify food business opportunities and constraints, including exports, and disseminate such information for use by entrepreneurs in his area of operations;
6. Organize workshops in strategic rural areas to discuss and disseminate the business opportunities for farmers and traders in his area of operations;
7. Continuously update information on prices in the neighboring countries and on specific business opportunities in his area of operations;
8. Prepare monthly reports on the office field office operations.

### **b. Field Marketing Specialist**

Under the supervision of the Field Office Manager, the Field Marketing Specialist would have the following responsibilities:

1. Control the food reserve stocks in his area of operation.
2. Sell the food reserve according to the instructions of the

Agency Food Reserve Division;

3. Promote the advantages of first quality grade with regard to price and the compliance with the weight standards set by the Grade Standards Specialist in his area of operation;
4. Collect information on the food crop conditions in his area of operation;
5. Collect information on the stocks of maize held by private traders, or sold by them in his area of operation;
6. Gather information on the price of maize and meal in his area of operation;
7. Obtain, register and update the names of interested dealers, millers, including hammer millers in his area of operations; and
8. Present monthly reports including the relevant information in the field in regard to the food reserve and food marketing information.

**c. Field Financial Specialist**

Under the supervision of the Field Office Manager, the Field Financial Specialist would have the following responsibilities:

1. Receive applications and promote the lease and sale of the Government-owned storage facilities in his area of operations;
2. Collect sale and rental income for the Government-owned storage buildings and stocking machinery in his area of operations;

3. Receive applications from local traders for the lease or purchase of the Government-owned storage and stocking machinery in his area of operations;
4. Verify the quality of storage and residential facilities and report to the Property Management Division at headquarters;
5. Supervise the maintenance of the Government-owned storage buildings and stocking machinery in his area of operations;
6. Handle repossession and evictions in his area of operations;
7. Maintain updated inventory of Government-owned storage building and stocking machinery in his area of operations;
8. Keep accounting records of the field office;
9. Prepare field office budgets and cash flow forecasts;
10. Monitor field office budget performance;
11. Prepare monthly and annual office financial statements according to the Accounting and Administrative Division at headquarters;
12. Perform the payment of payroll in the field office.

## IV. TIME TABLE OF IMPLEMENTATION

Since the approval of the Food Security Act 1993 would take several weeks, and decisions should be taken for the food reserve, storage facilities, and marketing information, it is proposed an interim plan which is summarized in Chart 2 presented below.

CHART 2. CROP MARKETING AGENCY INTERIM OPERATIONS

ACTIVITIES	1993									
	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	
1. Minister takes function of Board	-----									
2. Minister appoints Executive Director	-----									
3. Minister assigns acting staff for	-----									
A. Food Reserve Division	-----									
B. Marketing Information Division	-----									
C. Property Management Division	-----									
D. Accounting Administrative Division	-----									
E. Field Operations Division	-----									
4. Food Reserve Activities	-----									
A. Select Food Reserve Sites	-----									
B. Identify 1993 Food Donation	-----									
C. Coordinate with USAID, WFP, etc.	-----									
5. Marketing Information Activities	-----									
A. Collect, update, and analyze food prices and stocks	-----									
B. Identify market opportunities	-----									
C. Workshops in field to discuss with farmers, processors and traders on prices and market business opportunities	-----									
D. Coordinate with FAO	-----									
6. Property Management	-----									
A. Identify storage facility reposition priorities	-----									
B. Determine value of leasing and sale value of priority storage facilities	-----									
C. Draft leasing and sale contracts for priority storage facilities according to real estate values	-----									
D. Coordinate with CIDA	-----									
7. Control of Financial Operations	-----									
A. Establish accounting system for each division	-----									
B. Establish consolidation of Agency accounting system	-----									
C. Prepare preliminary financial plan according to food reserve, marketing information, property management operations	-----									
8. Food Security Act 1993 Approved						-----				
9. Creation of Crop Marketing Agency						-----				
10. Selection and appointment of Board						-----				
11. Selection and appointment of Staff						-----				
12. Agency starts operation following guidelines of this CMA handbook.								-----		

## V. FINANCIAL PLAN

The Agency would be self-financing and would produce net surplus for administering the food reserve, storage facilities, marketing information, food grade and weight standards as provided in part XI of the Food security Act, 1993. The Agency financial plan is summarized in the Table 1 below.

TABLE 1. CROP MARKETING AGENCY FINANCIAL PLAN  
(BUDGET PROJECTION 1993/94 TO 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL	ASSUMPTIONS
(000' US\$)							
<b>INFLOWS</b>							
GRZ Spoilage Allowance	840.0	857.0	874.0	891.0	909.0	4,371.0	1
Handling Commission from GRZ	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	5,000.0	2
Rental Income	2,750.0	2,805.0	2,861.0	2,918.0	2,976.0	14,310.0	3
Rental Income Adjustment	(1,375.0)	(561.0)	(572.0)	(584.0)	(595.0)	(3,687.0)	4
GRZ Capital/Loan Training Grant	3,025.0	25.0	12.0	760.0	10.0	3,832.0	5
<b>Total Inflows</b>	<b>6,240.0</b>	<b>4,126.0</b>	<b>4,175.0</b>	<b>4,985.0</b>	<b>4,300.0</b>	<b>23,826.0</b>	
<b>RUNNING COSTS</b>							
Crop Spoilage Provision	840.0	857.0	874.0	891.0	909.0	4,371.0	6
Transport and Handling	273.0	278.0	284.0	290.0	296.0	1,421.0	7
Pest Control	100.0	102.0	104.0	106.0	108.0	520.0	8
Storage	50.0	51.0	52.0	53.0	54.0	260.0	9
Maintenance and Repairs	2,750.0	1,403.0	715.0	729.0	744.0	6,341.0	10
Eviction and Court Costs	100.0	100.0				200.0	11
Professional Fees	120.0	122.4	124.8	127.4	129.9	624.5	12
Repayment of Loan and Interest			1,100.0	1,100.0	1,100.0	3,300.0	13
Board Allowances	20.0	20.4	20.8	21.2	21.6	104.0	14
Staff Costs (all inclusive)	374.0	381.4	389.1	396.8	404.7	1,946.0	15
Training	25.0	25.0	12.0	10.0	10.0	82.0	16
Temporary Staff	10.0	10.2	10.4	10.6	10.8	52.0	17
<b>Sub-Total Running Costs</b>	<b>4,662.0</b>	<b>3,350.4</b>	<b>3,686.1</b>	<b>3,735.0</b>	<b>3,788.0</b>	<b>19,221.5</b>	
<b>ADMINISTRATIVE COSTS</b>							
Rent and Service Charge	45.0	45.9	46.8	47.7	48.7	234.1	18
Insurance	54.0	59.0	64.0	69.0	74.0	320.0	19
Travel Allowance	5.0	5.1	5.2	5.3	5.4	26.0	20
Computer Costs	10.0	10.2	10.4	10.6	10.8	52.0	21
Telephone, Telex and Fax	10.0	10.2	10.4	10.6	10.8	52.0	22
Postage and Stationary	25.0	25.5	26.0	26.5	27.0	130.0	23
Office Sundries	5.0	5.1	5.2	5.3	5.4	26.0	24
General Expenses	5.0	5.1	5.2	5.3	5.4	26.0	25
General Maintenance	10.0	10.2	10.4	10.6	10.8	52.0	26
Motor Expenses	111.0	113.2	115.5	117.8	120.2	577.7	27
<b>SubTotal Administrative Costs</b>	<b>280.0</b>	<b>289.5</b>	<b>299.1</b>	<b>308.7</b>	<b>318.5</b>	<b>1,495.8</b>	
Contingency Costs at 10%	410.2	278.3	201.1	205.3	209.8	1,304.6	28
<b>Total Running and Adm. Costs</b>	<b>5,352.2</b>	<b>3,918.2</b>	<b>4,186.3</b>	<b>4,249.0</b>	<b>4,316.3</b>	<b>22,021.9</b>	
<b>CAPITAL COSTS</b>							
Equipment and Vehicles	491.0					491.0	29
Contingency Costs at 10%	49.1			37.6		86.7	
Replacement Year 4				376.0		376.0	
<b>SubTotal Capital Costs</b>	<b>540.1</b>			<b>413.6</b>	<b>0.0</b>	<b>953.7</b>	
<b>TOTAL COSTS</b>	<b>5,892.3</b>	<b>3,918.2</b>	<b>4,186.3</b>	<b>4,662.6</b>	<b>4,316.3</b>	<b>22,975.6</b>	<b>30</b>
<b>NET DEFICIT SURPLUS</b>	<b>347.7</b>	<b>207.8</b>	<b>(11.3)</b>	<b>322.4</b>	<b>(16.3)</b>	<b>850.4</b>	<b>31</b>

The income of the Agency would be generated by the service charge to the GRZ for handling the food reserve, leasing of storage facilities, and grants from donors.

The costs of the Agency would be represented by the running, administrative and capital costs. As it is shown in Table 1, except for the third and fourth year the agency generates surpluses. The surpluses provide sufficient income to the GRZ after paying its loans recommended to implement the Agency operations.

The estimates for the inflows, running costs, administrative costs, and capital costs of the Agency follow.

### **A. Inflows**

The inflows are represented by the food reserve spoilage allowance paid by the GRZ to the Agency, handling commission paid by the GRZ for managing the food reserve, the rental of the Government-owned storage facilities, and a loan to the Agency to finance the first year Agency costs including the procurement of vehicles, equipment, payment of Board and staff. The estimates of the inflows follow.

(1) The Food Reserve Spoilage Allowance payment to the Agency for the losses occurred due to pests, diseases and moisture is estimated in half percent per month. Since the Agency would be handling an average of 1 million bags of 90/kgs each the estimated loss would be of 5,000 bags per month (1 million bags X ,005). Assuming cost per bag US\$14 per bag the annual loss would be (5,000 bags X \$14 X 12 months= US\$840,000). It is assumed that the GRZ would fund this loss to the Agency every year.

(2) The Food Reserve Handling Commission for handling the food reserves is estimated at US\$1 per bag. The GRZ would pay this to the Agency. Since it is estimated an annual average of 1 million bags for the food reserve, the GRZ would pay US\$ 1 million a year to the Agency.

(3) The Rental Income is based on the Anderson and Anderson report to the MAFF, which indicates the eight storage facilities are in good conditions and 87 need repairs. Based on an average site size of 3,000 sq.m at an estimated rental of \$5.5 sq.m per annum as calculated on a weighted average basis from the Anderson report; the estimate for 8 of the storage facilities would be \$1.31 million and for the 87 depots \$1.44 that makes a total of \$2.750 million per year.

(4) A Rental Income Adjustment Provision is included for the income generated by the rental of the Government-owned storage facilities. It is estimated that a proportion of the rent would not be paid during the first five years. In year 1 this is assumed to be 50% of rental income, and in year 2 to 5 inclusive 20% every year.

(5) Two Capital Loans would be needed from the GRZ to operate the Agency. Also a grant would be financed by the GRZ for training on the amount of \$25 thousand per annum the first two years and of \$12 thousand and \$10 thousand per annum the following years.

- (a) The first loan would be for \$3 Million in the first year to cover initial capital costs of equipment, repairs of motor vehicles and storage facilities. This loan would be repayable over three years commencing the third year.
- (b) The second loan would be in the third year in the amount of \$760 thousand to replace motor vehicles and equipment.

The second loan would start to be repaid the sixth year of the Agency operations. Interest for both loans would be at 10% per annum (not Compounded) at the end of each crop season in April.

## **B. Costs**

### **a. Running Costs**

(6) A Crop Spoilage Provision is one of the costs of the Agency during the management of the food reserve, and it is estimated at \$840 thousand. Estimate details are explained in (1) above.

(7) The cost of transport and handling of the food reserve it is estimated at \$100 thousand per annum and is calculated as follows:

- (a) An average of 50 Km distance for the transportation of the food reserve;
- (b) The average cost of 1 MT per Km is K20 converted at K350 we have \$0.06 per MT;
- (c) Since the Agency is going to be handling an average of 1 Million bags of 91 Kg each. The equivalent is 91 thousand MT.
- (d) Therefore, the cost of transportation for the 1 Million bags would be  $\$0.06 \times 50\text{Km} \times 91,000 \text{ MT} = \$273$  thousand per annum.

(8) The Pest Control is estimated at \$0.10 per bag. Since the Agency would be handling 1 Million bags the annual cost would be of \$100 thousand per annum.

(9) The Storage Costs has been estimated considering two storage facilities that would be used for the food reserve in transit. The storage facilities are located in Monze and Natuseco. The average cost for the two depots is estimated at \$50 thousand to cover staff, maintenance and electricity, etc. However, in order to make a more accurate estimate it would be necessary to know how long the storage would be needed, and the staff required and the equipment required.

(10) The Maintenance and Repairs of the Government owned storage facilities is based on a percentage on the rental income, taking into consideration that the first year it would be needed heavy repairs 100%, the second year 50% and from the third to fifth year, 25% minimum repairs are expected.

(11) The Eviction and Court Costs are based on legal fees for the reposition of property in Lusaka, which is estimated for the storage facilities, is \$100 thousand per annum for the first two years. It is expected that all the storage facilities would be repossessed in two years.

(12) The Professional Fees for advise on lease charges is estimated on a commission of 5% of gross rental.

(13) The Repayment of the First Loan and Interest start the third year of the operation of the Agency. The Repayment of the Second Loan and Interest start the sixth year of the Agency's operations.

(14) The Board allowances are based on one meeting per month of the eight members. An allowance of K20 thousand per person overnight plus K50,000 per day for work.  $K70,000 \times 8$  members equals K5.6 Million at K350 per \$1 dollar is around \$20 thousand per annum.

(15) The Staff Costs are estimated with competitive level, private sector salaries in Zambia to attract selected efficient personnel. The salary levels are indicated in Table 2. (Proposed Level of Salaries for the Agency Staff).

Table 2. Proposed Level of Salaries for the Agency Staff

Grade	Rate Year	Number	Total
	(000 \$)		(000 \$)
Executive Director	20	1	20
Managers	15	4	60
Accountants	10	2	20
Quality Controller	10	1	10
Specialists	10	5	50
Traffic Coordinator	10	1	10
Executive Secretary	6	1	6
Secretary	5	1	5
Drivers	4	2	8
Messenger	3	1	3
Field managers	10	7	70
Field Specialists	8	14	112
<b>Total</b>			<b>\$374</b>

(16) The Training Costs for the staff is estimated at \$25 thousand per annum the first and second year, 12 thousand the third year and \$10 thousand per annum the fourth and fifth year.

(17) The Temporary Staff requirements for the peak season are estimated at \$10 thousand per annum during the first five years of the Agency.

### **b. Administration Costs**

(18) The Rent and Service Charge is based on 1,000 sq/m of office space at \$10 sq/m estimates; an expense of \$10 thousand rent for the headquarters office. At the field district level it is estimated at \$5 thousand per office - for the 7 offices,

an estimate of \$35 thousand for rent. Therefore, total rental cost for offices at headquarters and district levels total \$45 thousand per annum.

(19) The Cost of Insurance is based on 10% of capital values, which is around \$54 thousand per annum the first year. For the following years, it is adjusted for inflation and contingency at 10% per annum.

(20) The Travel Allowance for the Staff is estimated to be \$5 thousand per annum every year.

(21) The Computer Costs is estimated at \$10 thousand per annum, adjusted at 2% per year.

(22) The Costs for telephone, Telex and Fax is estimated at \$10 thousand per annum, adjusted at 2% increase per year.

(23) The Cost of Postage, Stationary and Other Communication needs is estimated at \$25 thousand per annum, with an increase of 2% per year.

(24) The Cost of Office Sundries is estimated at \$5 thousand per annum, adjusted at 2% per year.

(25) The Cost of General expenses is estimated at \$5 thousand per annum, adjusted at 2% per year.

(26) The Cost of general Maintenance is estimated at \$10 thousand per annum, with an adjustment of 2% per year.

(27) The Motor Expense is estimated at a monthly cost of \$500 per car and \$750 for 4 wheel drives. Costs include petrol, tax, servicing, spare parts. Since 8 cars and 7 four wheel drives are scheduled, it is estimated to be (8 cars X \$500 X

12 = \$42 thousand) plus (7 Four Wheel Drives X \$750 X 12 = \$63 thousand). Therefore, it is estimated a Total Motor Expenses of \$111 thousand per annum, with an adjustment of 2% per year.

(28) Also included is a Contingency Cost of 10% for running and administrative costs, not including in the Contingency Costs are the payment of loans and interest, and the Crop Spoilage Provision. The Contingency Cost the first year is estimated at \$247 thousand dollars, \$182 thousand the second year, \$199 thousand the third year, \$202 thousand the fourth year, and \$205 thousand the fifth year.

### c. Capital Costs

(29) The detailed capital costs to buy motor vehicles, computers, photocopiers, radios, and furniture is projected to be in around \$870 thousand dollars as explained in Table 3 below.

Table 3. Agency Projected Capital Budget  
Motor Vehicles, Equipment and Furniture

Staff Member	Division	Motor Vehicles	Compu- ters a/	Photo- copies	Radios /b	Furni- ture	Total
(000' US\$)							
1. Executive Director	1. Head Office	25.0	3.0	2.0		10.0	40.0
2. Division Managers	2. Four Divisions \$18 each	72.0	12.0	8.0	3.5	32.0	127.5
3. Accountant Financial Comptroller	3. Accounting & Administrative	18.0	16.0	2.0		8.0	44.0
4. Grade Standards Specialist	4. Food Reserve	15.0				5.0	20.0
5. Property Assistant Manager	5. Property Management	15.0				5.0	20.0
6. Field Managers	6. Seven Field Opertns 4WD	140.0			24.5	35.0	199.5
7. Provision for replace- ment in year fourth c/	7. All Agency	297.0	37.0	12.0	30.0		376.0
8. Secretaries d/	8. All Agency		5.0				5.0
9. Office Furniture e/	9. All Agency					35.0	35.0
<b>Total</b>		<b>582.0</b>	<b>73.0</b>	<b>24.0</b>	<b>58.0</b>	<b>130.0</b>	<b>867.0</b>

a/ o Includes software set up estimated at \$10,000 (HQ computers only)

o Field Offices equipped by FAO per G. Glemor

b/ Two way radios cheaper to operate than phones to field offices

c/ o The provision on vehicles is based on the original cost of US\$285,000

o For computers, word processors, photocopiers and radios on an

original cost of US\$76,000 compounded at 2% pa. for years 2 and 3.

o Furniture has an expected life of at least 5 years.

d/ Five word processors for field offices at \$1,000 each.

e/ The general furniture provision is split US\$15,000 to Admin and US\$20,000 to Field Operations

As shown in Table 1. (Agency Financial Plan) the total capital cost required by the Agency is scheduled to be: \$540 thousand dollars for the first year, and \$376 thousand dollars during the fourth year for replacement of vehicles. Also, in Table 1., a contingency cost of 10% for capital costs is assumed. This increases the capital costs to \$49.1 thousand the first year, and \$37.6 thousand respectively. This makes a total of Capital Costs of \$540.1 thousand the first year and \$413.6 thousand the third year for replacement.

(30) The Total Costs are estimated adding the running costs, the administrative costs, and the capital costs.

### **C. Agency (Deficit) Surplus**

(31) The Net (Deficit) Surplus of the Agency is estimated as the difference between the Total Inflows and Total Costs. It is possible to observe in Table 1 (Crop Financial Plan) that during the first five year there is a surplus except for the third and fifth years, which are offset by the surpluses of the other years. This financial plan includes the payment of the first loan and interests. (See Table 1).

### **D. Divisions (Deficit) Surplus**

An analysis of the financial plan for each of the Agency divisions indicates that only the Food Reserve Division and the Property Management Division have a positive financial cash flow. The Marketing Information Division, the Accounting Administrative Division, and the Field Management Division present a negative cash flow.

A summary of the financial plan for the Food Reserve Division for the period 1993/94 to 1997/98 is presented in Table 4 below. The Food Reserve Division generates surplus income in all years.

Table 4. Food Reserve Division  
(Projected Budget from 1993/94 to 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL
(000' US\$)						
<b>INFLOWS</b>						
GRZ Spoilage Allowance	840.0	857.0	874.0	891.0	909.0	4,371.0
Handling Commission from GRZ	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	5,000.0
GRZ Training Grant	5.0	5.0	2.4	2.0	2.0	16.4
Total Inflows	1,845.0	1,862.0	1,876.4	1,893.0	1,911.0	9,387.4
<b>RUNNING COSTS</b>						
Crop Spoilage Provision	840.0	857.0	874.0	891.0	909.0	4,371.0
Transport and Handling	273.0	278.0	284.0	290.0	296.0	1,421.0
Pest Control	100.0	102.0	104.0	106.0	108.0	520.0
Storage	50.0	51.0	52.0	53.0	54.0	260.0
Staff Costs (All inclusive)	35.0	35.7	36.4	37.1	37.8	182.0
Training	5.0	5.0	2.4	2.0	2.0	16.4
Contingency a and Maintenance 10%	46.3	47.2	47.9	48.8	49.8	255.4
Total Running Costs	1,349.3	1,375.9	1,400.7	1,427.9	1,456.6	7,025.8
<b>CAPITAL COSTS</b>						
Equipment and Vehicles	52.0					52.0
Contingency Costs at 10%	5.2			4.0		9.2
Replacement Year 4				40.1		40.1
SubTotal Capital Costs	57.2			44.1		101.3
TOTAL COSTS	1,406.5	1,375.9	1,400.7	1,472.0	1,456.6	7,127.1
NET DEFICIT SURPLUS	438.5	486.1	475.7	421.0	454.4	2,260.3

A summary of the financial plan for the Marketing Information Division from 1993/94 to 1997/98 is presented in Table 5 below. This Division generates deficit income in all years.

Table 5. Marketing Information Division  
(Projected Budget from 1993/94 to 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL
(000' US\$)						
<b>INFLOWS</b>						
GRZ Training Grant	10.0	10.0	4.8	4.0	4.0	32.8
<b>RUNNING COSTS</b>						
Staff Costs (All inclusive)	35.0	35.7	36.4	37.1	37.8	182.0
Training	10.0	10.0	4.8	4.0	4.0	32.8
Contingency at 10%	4.5	4.6	4.1	4.1	4.2	21.5
Total Running Costs	49.5	50.3	45.3	45.2	46.0	236.3
<b>CAPITAL COSTS</b>						
Equipment and Vehicles	32.0					32.0
Contingency at 10%	3.2			2.5		5.7
Replacement				24.8		24.8
Total Capital Costs	35.2			27.3		62.5
Total Running and Capital Costs	84.7	50.3	45.3	72.5	46.0	298.8
NET DEFICIT	(74.7)	(40.3)	(40.5)	(68.5)	(42.0)	(266.0)

A summary of the financial plan for the Field Operations Division from 1993/94 to 1997/98 is presented in Table 6 below. This Division generates deficit income in all years.

Table 6. Field Operations Division  
(Projected Budget from 1993/94 to 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL
	(000' US\$)					
<b>INFLOWS</b>						
GRZ Training Grant	10.0	10.0	4.8	4.0	4.0	32.8
<b>RUNNING COSTS</b>						
Staff Costs (All inclusive)	182.0	185.6	189.4	193.2	197.1	947.3
Training	10.0	10.0	4.8	4.0	4.0	32.8
Temporary Staff Costs	10.0	10.2	10.4	10.6	10.8	52.0
Contingency at 10%	20.2	20.6	20.5	20.8	21.2	103.2
Total Running Costs	222.2	226.4	225.1	228.6	233.1	1,135.3
<b>CAPITAL COSTS</b>						
Equipment and Vehicles	255.0					255.0
Maintenance	25.5			20.0		45.5
Replacement				199.9		199.9
Total Capital Costs	280.5			219.9		500.4
Total Running and Capital Costs	502.7	226.4	225.1	448.5	233.1	1,635.7
<b>NET DEFICIT</b>	(492.7)	(216.4)	(220.3)	(444.5)	(229.1)	(1,602.9)

A summary of the financial plan for the Accounting Administrative Division from 1993/94 to 1997/98 is presented in Table 7 below. This Division generates deficit income in all years.

Table 7. Accounting Administrative Division  
(Projected Budget from 1993/94 to 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL
	(000' US\$)					
<b>INFLOWS</b>						
GRZ Capital Loan	3,000.0			750.0		3,750.0
<b>RUNNING COSTS</b>						
Board Allowances	20.0	20.4	20.8	21.2	21.6	104.0
Staff Costs	97.0	98.9	100.9	102.9	105.0	504.7
Repayment Loan and Interest			1,100.0	1,100.0	1,100.0	3,300.0
Total Running Costs	117.0	119.3	1,221.7	1,224.1	1,226.6	3,908.7
<b>ADMINISTRATIVE COSTS</b>						
Rent and Service Charge	45.0	45.9	46.8	47.7	48.7	234.1
Insurance	54.0	59.0	64.0	69.0	74.0	320.0
Travel Allowances	5.0	5.1	5.2	5.3	5.4	26.0
Computer Costs	10.0	10.2	10.4	10.6	10.8	52.0
Telephone, Telex and Fax	10.0	10.2	10.4	10.6	10.8	52.0
Postage and Stationary	25.0	25.5	26.0	26.5	27.0	130.0
Office Sundries	5.0	5.1	5.2	5.3	5.4	26.0
General Expenses	5.0	5.1	5.2	5.3	5.4	26.0
General Maintenance	10.0	10.2	10.4	10.6	10.8	52.0
Motor Expenses	111.0	113.2	115.5	117.8	120.2	577.7
Total Administrative Costs	280.0	289.5	299.1	308.7	318.5	1,495.8
Contingency Costs 10%	39.7	40.9	42.1	43.3	44.5	210.5
Total Running and Adm. Costs	436.7	449.7	1,562.9	1,576.1	1,589.6	5,615.0
<b>CAPITAL COSTS</b>						
Equipment and Vehicles	100.0					100.0
Contingency at 10%	10.0			7.1		17.1
Replacement				71.1		71.1
Total Capital Costs	110.0			78.2		188.2
<b>TOTAL COSTS</b>	546.7	449.7	1,562.9	1,654.3	1,589.6	5,803.2
<b>NET DEFICIT</b>	2,453.3	(449.7)	(1,562.9)	(904.3)	(1,589.6)	(2,053.2)

A summary of the financial plan for the Property Management Division from 1993/94 to 1997/98 is presented in Table 8 below. This Division generates surplus income in all years.

Table 8. Property Management Division  
(Projected Budget from 1993/94 to 1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98	TOTAL
	(000' US\$)					
<b>INFLOWS</b>						
Rental from Storage facilities	2,750.0	2,805.0	2,861.0	2,918.0	2,976.0	14,310.0
Provision on Rental Income	(1,375.0)	(561.0)	(572.0)	(584.0)	(595.0)	(3,687.0)
Total Inflows	1,375.0	2,244.0	2,289.0	2,334.0	2,381.0	10,623.0
<b>RUNNING COSTS</b>						
Maintenance and Repairs	2,750.0	1,403.0	715.0	729.0	744.0	6,341.0
Eviction and Court Costs	100.0	100.0				200.0
Staff Costs (All inclusive)	25.0	25.5	26.0	26.5	27.0	130.0
Professional Fees	120.0	122.4	124.8	127.4	129.9	624.5
Contingency at 10%	299.5	165.1	86.6	88.3	90.1	729.6
Total Running Costs	3,294.5	1,816.0	952.4	971.2	991.0	8,025.1
<b>CAPITAL COSTS</b>						
Equipment and Vehicles	52.0					52.0
Contingency at 10%	5.2			4.0		9.2
Replacement				40.1		40.1
Total Capital Costs	57.2			44.1		101.3
Total Running and Capital Costs	3,351.7	1,816.0	952.4	1,015.3	991.0	8,126.4
<b>NET DEFICIT</b>	(1,976.7)	428.0	1,336.6	1,318.7	1,390.0	2,496.6

## E. Agency Projected Income and Expenditure Accounts

The Agency income and expenditures including depreciation for the Food Reserve Division, Marketing Information Division, Property Management Division, Accounting and Administrative Division, and the Field Operations Division for the period 1993/94 to 1997/98 are summarized in Table 9 below.

Table 9. Agency Projected Income and Expenditure Accounts (1993/94-1997/98)

Divisions	1993/94	1994/95	1995/96	1996/97	1997/98
(000' US\$)					
<b>A. Food Reserve</b>					
Income	1,845.0	1,862.0	1,876.4	1,893.0	1,911.0
Expenditures	1,349.3	1,375.9	1,400.7	1,427.9	1,456.6
Depreciation a/	16.6	15.6	15.6	16.8	16.0
Net Income	479.1	470.5	460.1	448.3	438.5
<b>B. Marketing Information</b>					
Income	10.0	10.0	4.8	4.0	4.0
Expenditures	49.5	50.3	45.3	45.2	46.0
Depreciation a/	10.2	9.6	9.6	10.4	9.9
Net Income	(49.7)	(49.9)	(50.1)	(51.6)	(51.8)
<b>C. Property Management</b>					
Income	10.0	10.0	4.8	4.0	4.0
Expenditures	222.2	226.4	225.1	228.6	233.9
Depreciation a/	81.6	76.5	76.5	83.2	79.2
Net Income	(293.8)	(292.9)	(296.8)	(307.7)	(309.1)
<b>D. Accounting &amp; Administration</b>					
Income	1,375.0	2,244.0	2,289.0	2,334.0	2,381.0
Expenditures	3,294.5	1,816.0	952.4	971.2	991.0
Depreciation	16.6	15.6	15.6	16.8	16.0
Net Income	(1,936.1)	412.4	1,321.0	1,346.1	1,374.1
<b>E. Field Operations</b>					
Income	3,000.0			750.0	
Expenditures	436.7	449.7	1,562.9	1,576.1	1,589.6
Depreciation a/	30.9	28.9	28.9	31.7	30.3
Net Income	2,532.4	(478.6)	(1,591.8)	(857.8)	(1,619.9)
<b>Total Net Income</b>	<b>731.8</b>	<b>61.6</b>	<b>(157.5)</b>	<b>577.3</b>	<b>(168.3)</b>

a/ Depreciation assumed at 33.3% for motor vehicles and equipment, and at 20% for furniture, and a contingency of 10%.

## F. Agency Projected Balance Sheets

The Agency projected balance sheets for the period 1993/94 to 1997/98 is presented in Table 10 below.

Table 10. Agency Projected Balance Sheet Accounts (1993/94-1997/98)

	1993/94	1994/95	1995/96	1996/97	1997/98
	(000' US\$)				
A. Assets					
Fixed Assets (All Divisions)	540.1	540.1	540.1	953.7	953.7
Less Accumulated Divisions	156.0	302.2	448.5	67.2	758.4
Total Assets	384.1	237.9	91.6	886.5	195.3
B. Cash Balance	347.7	555.5	544.2	866.6	850.4
C. Net Assets	731.8	793.4	635.8	1,753.1	1,045.7
D. Capital Employed-Surplus/Deficit	731.8	793.4	635.8	1,753.1	1,045.7