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UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID MISSION TO SWAZILAND

P.O. BOX 750, MBABANE, SWAZILAND
TEL. 46430. TELEX 2016 WD

23 APR 1992

Mr. Joseph Kessler
Country Director
Cooperative for American Relief Everywhere
C. P. 4657
Maputo, Mozambique

Subject: Cooperative Agreement No. 656-0217-A-00-2037-00

Dear Mr. Kessler:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby provides to the Cooperative for American Relief Everywhere (hereinafter referred to as "CARE" or "Recipient"), the sum of \$2,452,236 to perform a program in Logistics Support to the Government of Mozambique, as described in Attachment 1, the Schedule of this agreement, and Attachment 2, entitled "Program Description." Subject to your successful performance of the program, and the availability of funding, AID intends to increase the Agreement's obligation to \$4,293,294.

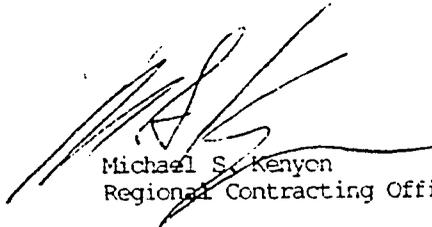
This agreement is effective and obligation is made as of 26 March 1992 and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending 31 December 1993.

This Agreement is made to CARE, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled "Schedule", Attachment 2 entitled "Program Description", and Attachment 3 entitled "Standard Provisions", which have been agreed to by your organization.

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Please sign the original and seven (7) copies of this letter to acknowledge your acceptance of the agreement, and return the original and six (6) copies to the USAID Office here in Swaziland.

Sincerely yours,



Michael S. Kenyon
Regional Contracting Officer

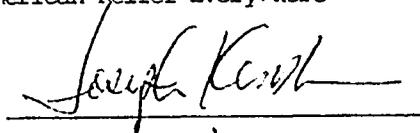
Attachments

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

Cooperative for American Relief Everywhere

BY:



TITLE:

COUNTRY DIRECTOR.

DATE:

APRIL 30, 1992.

FISCAL DATA

Appropriation:	72-111/21014
Budget Plan Code:	GSS1-91-21656-KG13
PIO/T No.:	656-0217-3-10039
Project No.:	656-0217
Total Estimated Cost:	\$4,293,294
Total Obligated Amount:	\$2,452,236

Attachment 1

SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to provide support for the Logistics Support Program that CARE provides to the Government of Mozambique's Departamento de Prevencao e Combate as Calamidades Naturais (DPCCN) as more specifically described in Attachment 2 to this Agreement entitled "Program Description".

B. Period of Agreement

1. The effective date of this Agreement is 26 March 1992. The expiration date of this Agreement is 31 December 1993.

C. Amount of Agreement and Payment

1. AID hereby obligates the amount of \$2,452,236 for purposes of this Agreement.
2. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 - Optional Standard Provision 1, entitled "Payment - Letter of Credit."

D. Financial Plan

1. The following is the Agreement Budget. Revisions to this budget shall be made in accordance with Standard Provision 4 of this Agreement, entitled "Revision of Grant Budget."

<u>Cost Element</u>	<u>Total U.S. Dollars</u>
1. Personnel Compensation	\$562,629
2. Fringe Benefits	241,931
3. Travel and Transportation	961,487
4. Consultants	116,000
5. Other Direct Costs	328,019
6. Equipment & Supplies	46,000
7. Allowances	548,811
8. Maputo Office Costs (share)	1,185,174
9. Indirect Costs	303,243
Total Estimated Cost	<u>\$4,293,294</u>

E. Implementation, Monitoring, Evaluation and Responsibilities

A. Implementation

A. Implementation

CARE is responsible for the implementation of the CARE/LSU activity, and will work in conjunction with DPCCN and other appropriate non-governmental organizations, private entrepreneurs and community groups to ensure successful completion of all the activities. Quarterly reports will indicate progress towards meeting implementation targets over the period of the Agreement.

B. Monitoring

CARE is responsible for monitoring activity progress. Within the first three months following the acceptance of the Agreement, and under CARE's leadership, representatives of USAID/Mozambique, CARE/Mozambique, senior members of the LSU, and their counterparts within the UAL will confirm or establish targets and benchmarks, as well as agree in writing upon a detailed monitoring plan of activities funded under the Agreement.

Record keeping and data collection systems established during previous phases of A.I.D. assistance to CARE for LSU operations will be the primary means of monitoring progress and ensuring greater accountability for commodity. During the period of the Agreement, CARE/LSU will assess and refine these systems, and make modifications, including extending them throughout the distribution system, as appropriate. CARE/LSU is also responsible for ensuring that DPCCN staff (including UAL) are adequately trained in their use and performing according to set standards.

CARE will issue quarterly, biannual and yearly reports on the LSU activity. In contrast to previous LSU reports, reports issued for activities funded under this Agreement will not deal primarily with the performance of DPCCN in transporting and distributing commodity, nor will the reports detail where distributions have taken place or when commodity arrivals are projected. Rather, the reports will focus on reporting the progress of LSU in meeting its twin objectives: the restructuring of CARE assistance from logistics to management, and the increased use of the private sector in operations which have been performed to date by the DPCCN.

These reports will contain, inter alia, a narrative summarizing general achievements of the project during the reporting period, statistics detailing on a provincial basis tonnage and ton-kilometers handled by various entities within the private sector, and narratives discussing progress towards achievement of the objectives that cannot be summarized in statistical format.

In addition to project reports, CARE will submit to A.I.D. normal monthly and quarterly LSU financial reports. CARE will also monitor and report monthly on source and origin of procurement, aggregated by uses, such as technical assistance, commodities and training.

These reports will contain, inter alia, a narrative summarizing general achievements of the project during the reporting period, statistics detailing on a provincial basis tonnage and ton-kilometers handled by various entities within the private sector, and narratives discussing progress towards achievement of the objectives that cannot be summarized in statistical format.

In addition to project reports, CARE will submit to A.I.D. normal monthly and quarterly LSU financial reports. CARE will also monitor and report monthly on source and origin on procurement, aggregated by uses, such as technical assistance, commodities and training.

F. Evaluation

A mid-term evaluation is scheduled to take place within the first year of the period covered by the Agreement. Based on the conclusions and recommendations of this review, implementation and workplans for 1993 may be prepared.

The mid-term evaluation mission will include external evaluators. Costs of the evaluation are to be covered by the Agreement and are included in the budget. The general Scope of Work and specific assignments will be drafted by CARE/LSU and jointly agreed upon following discussions with USAID and DPCCN.

G. Title to Property

Title to all property purchased under this Agreement shall vest in the Grantee in accordance with the terms of Attachment 3, Optional Standard Provision 20, entitled "Title to and Use of Property (Grantee Title)."

H. Logistic Support

Access to the Embassy medical facilities will be provided to the Recipient in kind.

The Recipient shall provide all other logistic support.

I. Technical Assistance

All short-term technical assistance proposed must be approved in advance in writing by the Contracting Officer. Each approval must include approval of proposed compensation rate and international travel. A complete package on each proposed candidate, to include curriculum vitae, biographical data and salary history over a three-year period must be submitted through the Project Officer, USAID/Mozambique. In the absence from southern Africa of the Contracting Officer, the Director, USAID/Mozambique or his/her designee may provide the above approvals. International travel is understood to exclude travel only within the Southern Africa region, which includes South Africa, Lesotho, Swaziland, Mozambique, Botswana, Malawi, Zimbabwe, Tanzania, Zambia, Zaire, Angola, Namibia, Comoros, Mauritius and Madagascar.

J. Estimated Level of Effort

<u>No.</u>	<u>Position Description</u>	<u>Estimated Person-Months</u>
1	Advisor	24
1	PIO/PMA Coordinator	24
1	Inbound Coordinator	24
1	Training Coordinator	24
1	Outbound Coordinator	12
1	Control and Statistics Manager	12
10	Provincial Logistics Officer	102
3	Provincial Management Advisor	48

K. Indirect Cost Rates

The following provisional indirect cost rates are in effect under the Cooperative Agreement for the periods indicated.

<u>Category</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Fringe Benefits	43%	Compensation	Until Amended
Indirect Costs	7.6%	*	1 Jul 1991 until amended

*Total direct costs less exchange fluctuations; less ocean freight; less non-cash donations including agricultural commodities, ocean freight and in-kind contributions, and less U.S. Government Agreement that due to legal restrictions do not permit indirect cost recovery.

L. Cost Sharing

CARE is providing approximately \$10,558,570 to support the program described by this cooperative agreement.

Attachment 2

Program Description

I. Background

A. The PVO Support Project

The PVO Support Project was designed in response to the emergency appeals made by the Government of Mozambique. It is intended to assist in the provision of emergency humanitarian assistance to those most seriously affected by the insurgency, and to facilitate the transition from dependence on food aid to self provisioning. To this end, financing is provided to selected PVOs which are registered with A.I.D. and have country agreements with the Government of Mozambique which are undertaking, or wish to undertake, activities which correspond to priority areas defined under this project. These priority areas for assistance are a) those which provide basic humanitarian assistance to destitute and needy displaced persons; b) those which address the social welfare needs of displaced and other seriously affected persons, primarily basic health care, including family planning, and provision of water and sanitation facilities; and c) those which address the economic needs of targeted groups vulnerable to absolute poverty. Selection of target populations and design of specific activities are the responsibility of PVOs, which are also responsible for obtaining the concurrence of the Government of Mozambique.

B. The Project

Funds are provided under this Agreement to CARE in partial support of a Logistics Support Unit (LSU) within the Mozambican government's emergency relief organization, the DPCN, (Departamento de Prevencao e Combate as Calamidades Naturais) as more fully described in Section IV, Project Description. Funds are specifically provided for technical assistance, administration, materials and operations and related support costs.

II. The Problem

As an intermediate measure towards the objective of sustained household level food security in Mozambique, the government and donors developed the concept of a safety net. The U.S. has become the single largest guarantor of the food safety net, and consequently is a key player in helping the government to form and implement food policy. Part of the process of assuring that the rural safety net targets are met, has been accomplished by A.I.D.'s support of CARE's role within the DPCN's LSU. Initially funded through A.I.D.'s CFDA account, CARE first focused on providing technical assistance to the DPCN to establish and implement systems for meeting food requirements, management logistics, and maintaining commodity accountability.

In 1989, the program was transferred to A.I.D.'s Development Fund for Africa account, in a conscious programmatic shift towards greater use of non-government resources in food security matters. The orientation has been to improve DPOCN's capacity as a manager of non-government organization (NGO), donor, private sector and other domestic resources rather than as an implementor of programs. A particular emphasis has been given to increasing the share of transport contracted out to the private sector.

DPOCN's evolving role is well understood by those senior officials within the government who are responsible for coordinating donor and PVO/NGO assistance in emergency and priority development activities. The DPOCN role is viewed within the broader context of important issues dealing with the re-establishment of a liberalized domestic economy, which when balanced with improving prospects for security, will allow Mozambicans in every sector to play a part in addressing the needs of society on an increasingly self-sufficient basis. This project supports the government's decision to encourage private sector participation in the economy.

Consequently, this project is not designed to foster DPOCN institutional expansion. Neither is it intended to prolong CARE's assistance to DPOCN; nor is it designed to transform DPOCN into a rehabilitative agency in post-war recovery period. Rather, LSU seeks to ensure that as many public resources as possible, devoted to the emergency program, are disbursed through private sector entrepreneurs. As well, it strives to decrease the operational role of DPOCN in emergency activities and concomitantly to develop its capacity to coordinate the activities of a variety of parties, public and private, in responding to emergency situations of all sorts. Indeed, in support of this move, the DPOCN, CARE and USAID agree that these latter functions should take precedence over the former operational matters wherever possible. Given that DPOCN and in particular UAL has already embarked upon a program of increased coordinative capacity, independent of A.I.D. funding, this program is not designed to perpetuate or expand, DPOCN's reliance upon CARE for managerial assistance in execution of commodity logistics operations.

III. Purpose

The purpose of this Agreement is to provide funds to CARE in support of its program of assistance to the DPOCN in furtherance of the PVO Support Project's objective of promoting improved efficiency in food aid needs assessment, planning and delivery, including the promotion of private sector involvement in transport and distribution. The CARE/Logistics Support Unit (LSU) activity directly supports this objective by providing management advisory services to the DPOCN in order to facilitate change with a view towards (a) enabling an orderly transfer of some operational responsibilities, heretofore carried out by DPOCN, to private sector suppliers and transporters; and

b) preparing DPCCN to assume its designated role of disaster information advisor and relief coordinator. At the conclusion of no more than two years of CARE-managed activities under this Agreement, mechanisms for private sector and NGO involvement in transport and distribution of emergency supplies will have been considerably expanded and developed, accompanied by a concomitant decreased need for DPCCN involvement in transportation and storage of emergency program commodities, in line with Government and multi-donor common commitment. As a consequence, the rationale for continued CARE assistance to DPCCN in its operational affairs, specifically in commodity movement and storage, will have come to an end and A.I.D. will be able to withdraw its management support assistance, now provided through CARE, from DPCCN.

IV. Project Description

A. CARE/LSU Project

1. Background. The period since 1984 until the present has witnessed the enormous growth of a Mozambican government agency in gaining oversight of the many facets of providing emergency assistance of many kinds to meet the needs of displaced and affected populations. In response to pressing needs, the DPCCN quickly moved to gain responsibility and control over implementing a range of emergency-related activities. Its functions gradually included assessing food needs and availabilities, receipt and handling of donor imports, transport and distribution, and accountability.

In 1984, with A.I.D. funding, CARE began a program of technical assistance to the DPCCN, with well-qualified expertise, to enhance the capacity of the DPCCN to act as an expeditious planning and coordination agency so as to ensure more timely and effective distribution of emergency supplies. Over the past nearly seven years of A.I.D. and CARE collaboration, DPCCN's systems have been redesigned, tested and refined to facilitate handling and distribution of commodities, and DPCCN staff have been trained to undertake managerial and logistical functions.

The environment in which DPCCN, its operational wing, the Unidade de Apoio Logistico (UAL), and the LSU (virtually a CARE staffed technical advisory branch, and a project creation) operate is changing rapidly. During 1991, it has been generally accepted that the government should seek assistance from the various organizations operating in the country (private entrepreneurs and non-government organizations) and promote the use of commercial firms to undertake many services on its behalf. A greatly restructured and reoriented DPCCN would still retain responsibility for coordination and reporting.

This change in policy is intended to allow the proper authorities to concentrate on their role of planning and monitoring the system, and at the same time to provide for the use of the private transport sector as a means of promoting the re-establishment of the commercial transport network, and thereby add to a needed national base of general economic rehabilitation of the country.

The Economic and Social Rehabilitation Program has resulted in an increase in commercial economic activity throughout much of the country. Logistics services to support commercial activity have been a growth area during 1991. DPOCN, and its operational branch UAL, to which CARE's LSU provides logistics advisory and training assistance, now have the opportunity to augment existing logistics capacity. Contracting of various aspects of DPOCN's current operations to commercial sector contractors has begun and will be expanded under the management advisory and additional training services to be provided as part of activities funded under this Agreement.

The socio-political environment in Mozambique is also changing. While a multiparty system and elections may not have direct impact on DPOCN and UAL, as government agencies, it is expected that they will be affected as central state involvement and government budgets are reduced.

Meanwhile, peace talks between government and Renamo may result in a general cease fire, the opening of access to all areas of the country, and the return and resettlement of displaced people and refugees. More than five million people, dispersed over a wide geographic area, may shortly be in need of assistance in putting back together their families, their homes and their livelihood. In the measure that government agencies, commercial entities and non-government agencies each is able to operate and respond in their appropriate roles, the anticipated surge of need ought to be handled effectively. Moreover, an improved transport and distribution system will serve to attract the confidence and the contribution of donors, if need be.

2. Project Objective. The terms of the 1984 Basic Agreement between CARE and the Mozambican government stipulate that the overall goal of the LSU is

"to provide management consultancy services to the Departamento de Prevencao e Combate as Calamidades Naturais (DPOCN) so that it coordinates delivery of full nutritional rations to as many war- and natural disaster-displaced Mozambicans as possible, with as many inputs from the private sector as economically feasible and as little managerial assistance from outside agencies as practicable."

To reiterate the activity purpose, as stated above, the A.I.D. Agreement is to provide funds to CARE in support of its program of assistance to the DPOCN in furtherance of the PVO Support Project's objective of promoting improved efficiency in food aid needs assessment, planning and delivery, including the promotion of private sector involvement in transport and distribution.

To fulfill this purpose, the CARE entity, LSU, will undertake two separate activities:

- (a) turnover of daily logistical management of UAL to Mozambicans; and
- (b) fostering and facilitating increased use of the private and NGO sectors in clearing, forwarding and transporting food aid and other relief commodities.

The technology to be used in LSU is primarily basic, on-the-job management consultancy, provided by logistical and management specialists from CARE's cadre of professional staff, based in Maputo and in various provinces, according to a schedule worked out with A.I.D. (Annex A).

In addition, the services of professional consulting firms, especially those with expertise in transport economics, will be utilized to make recommendations as to the economic viability of the Mozambican trucking industry, and to assist in determining the feasibility of LSU strategies, for instance, in assessing the present level and potential capacity of commercial activity at transit points at provincial and district levels.

3. Implementation Plan. CARE's close involvement with LSU since 1984 has resulted in a generally well trained and performing group of Mozambican logisticians who can function independent of outside technical assistance. CARE asserts that there is little justification today in maintaining a logistical advisory presence in all provinces.

While the transfer of logistics operations has been largely successful, all aspects of management within DPCCN -- human resource, financial, contract, programmatic and administrative -- remain woefully inadequate. In the two years from 1992 to 1993, CARE will progressively change its focus from logistics support to management consultancy and will in the process prepare itself for a final phase out at the end of 1993. In doing so, the number of direct project A.I.D.-funded staff will decrease from 19 to 10 at the end of 1992, and to 8 at the completion of the activity in December 1993.

Ten Provincial Logistics Officers (PLO), posted after A.I.D.'s preliminary concurrence, will be responsible for conducting Training of Trainers (TOT) courses in

- reporting to Maputo
- on-the-job logistics training in commodity accounting and information, fleet management and scheduling, distribution planning and systems effectiveness.

As the changeover progresses, CARE Provincial Logistics Officers will cease to be counterparts to the Chief of Logistics, and will instead become Logistics Management Consultants (LMCs) to the DPCON Provincial Directors. The LMCs will have responsibilities for advising provincial authorities on

- private sector contract management
- assist DPCON with information management (includes computer network)
- performance management
- office administration
- human resource management (training planning)
- maintaining public relations
- rehabilitation program design

LSU/Maputo will be initially staffed by a team of six logistical and management specialists:

- Advisor of LSU (overall management of A.I.D. funded activity)
- Deputy Advisor (PIO/PMA supervision and donor reporting)
- Shipping and Contracting Coordinator
- Inbound Coordinator
- Control and Statistics Manager
- Training Coordinator

The focus of the LSU/Maputo staff will be on skills transfer and training, as is the case with provincial-based advisors. However, in addition, all positions in the Maputo office will have a definite private sector operations orientation. UAL/Maputo staff already have acquired skills in DPCON management, and need training in the development of systems to oversee use of private sector firms in clearing, forwarding and transporting commodities.

The role of CARE will be to introduce the technologies and conduct on-the-job training in management systems for effectively operating the new technology, and not to implement the system. To this end, CARE will formulate and introduce a series of strategies for greater involvement of the commercial sector in emergency program activities. These eight strategies cover the contracting of port clearance and transshipment, participation of local suppliers in the provision of spare parts and fleet supplies, contracting of warehousing and trucking services, selling trucks to the commercial transport sector, and a greater degree of non-government organization participation in food distribution.

The eight strategies are outlined as follows:

Strategy 1: CARE will design and institute systems for DPOCN to contract emergency program commodity reception and transshipment activities to Mozambican-registered cargo handlers. Contracting mechanisms will be in place for the operations of at least one primary port to be contracted out to a Mozambican commercial freight forwarder/clearing agent by 31 December, 1992. Institution of mechanisms for the contracting of the remaining two primary port operations will begin by that date, and will be completed by December 31, 1993.

Strategy 2: CARE will design and institute systems for DPOCN to locally procure all spare parts requirements. This will enable DPOCN to procure from local manufacturers/suppliers 100 percent of truck tires and 40 percent of spare parts (by value) by 31 December, 1992 and 80 percent of spare parts (again, by value) by 31 December, 1993. This assumes adequate spare parts availability and reasonably competitive pricing.

Strategy 3: CARE will design and institute systems for DPOCN to commercially contract transportation for port despatch and deliveries so that the tonnage capacity available to DPOCN can increase. Specifically, this will enable DPOCN to meet 25 percent of province to district transportation requirements, as measured by ton-kilometers, through the services of commercial transporters by 31 December, 1992, and 40 percent by 31 December, 1993.

Strategy 4: CARE will design and institute systems for DPOCN to dispose of trucks. CARE will further suggest that DPOCN become a transporter of last resort, retaining trucks primarily for servicing destinations where commercial transporters are not available or where funding for private transportation is not forthcoming. The rationale here is that as private transportation possibilities increase, DPOCN should not require such a large vehicle fleet. Such systems shall initially focus on the disposal of vehicles over five years old; thereafter, systems shall be designed for the removal from the fleet of any inoperative vehicle, within 90 days of it becoming so, or when good financial management dictates that repair costs exceed the eventual utility of the vehicle. Implementation of this strategy is not subject to the receipt of new trucks from any source.

Strategy 5: CARE will design and institute systems for DPOCN to procure fuel for its vehicles from particular commercial fuel stations, as opposed to from its own fuel farms. These systems will enable DPOCN to procure 20 percent of its fuel from commercial stations by 31 December, 1992 and 40 percent by 31 December, 1993.

Strategy 6: CARE will design and institute systems for DPCCN to contract provincial and district warehouse operations to commercial warehouse operators. CARE will advocate sale of existing DPCCN warehouses to qualified commercial operators, wherever possible. Contracting systems designed by CARE will, wherever permissible, include provisos that warehouse losses will be reimbursable to DPCCN.

Strategy 7: CARE will design and institute systems for DPCCN to contract portorage services from commercial entities.

Strategy 8. CARE will design and institute systems for DPCCN to "contract" supply of emergency program commodities to operational NGOs situated in certain districts. Prepare for government issuance, regulations governing participation of NGOs in distribution of emergency commodities. Subject to the approval of the government and the interest of suitable NGOs, 75 percent of the 15 districts contiguous to provincial headquarters in provinces where ISU operates, will be affected. NGOs with ongoing operations, or with plans to open operations, in non-contiguous districts will be encouraged.

The Work Plan for 1992 presented in the CARE proposal will be used to plan activities over the year. A similar Work Plan will be prepared by CARE and presented for A.I.D.'s approval in time for activities to begin in 1993.

B. End of Project Status/Expected Impact

By December 31, 1993, the date of the completion of A.I.D. assistance to CARE for management advisory services to the LSU, as provided under this Agreement, the UAL and provincial DPCCNs will be able to perform basic emergency program management functions in keeping with the role which the government has assigned to these entities. By the end of the Agreement,

- there will be no more than 8 CARE officers working directly on the LSU (as opposed to 19 who work on it today);

- systems will have been developed so that 51 percent of all DPCCN logistics operations are handled by the private and NGO sectors, subject to available funding;

- 90 percent of available commodity will be distributed to eligible beneficiaries during any given period, and administrated to the satisfaction of the respective donor;

- UAL and provincial DPCCNs will be capable of performing requisite management functions (i.e., prepare and administer budgets, account for funds at their disposal, coordinate and manage private sector contracts, design rehabilitation programs with a workplan for involvement of private sector);

- the DPOCN vehicle fleet will need to be no more than three quarters its present size;

- DPOCN will, in general, be a less operational and more coordinating agency.