

PD-ABK-679

Best available copy -- faded pages in annex C

PD-ABIC-679
93691

USAID.MAPUTO
LIBRARY

UNCLASSIFIED

MOZAMBIQUE

Private Sector Rehabilitation

[656-0202]

PAAD Amendment No. 1

September 1985

Working File Copy

SEP 24 1985

ACTION MEMORANDUM FOR THE ACTING DIRECTOR, REDSO/ESA

FROM: James Dempsey - Project Development Officer, REDSO/ESA

SUBJECT: Authorization of the Mozambique Private Sector Rehabilitation II Program Amendment (656-0202)

Problem: Your approval is required to authorize a \$2,000,000 addition to the subject program, which brings the total program funding to \$13,000,000. This amendment authorizes use of \$1,000,000 for a technical assistance component and the remaining \$1,000,000 for the procurement of additional commodities under the CIP.

Project Description: The purpose of the Mozambique Private Sector Rehabilitation Program (PSR) II, authorized on August 8th, 1985, is twofold:

1. to increase food production and improve its distribution by selling currently unavailable inputs to private sector farmers and traders; and
2. to assist Mozambique meet critical needs in training and advisory services required for private sector development and increased food production.

Two discrete but complementary components were planned to achieve the program purpose. First, there is the Commodity Import Program (CIP) of \$11.0 million, which was obligated on August 27, 1985. This CIP is providing foreign exchange for the importation of presently unavailable agricultural inputs for private sector farmers and traders.

A \$2.0 million, 3-year technical assistance and training component was planned for the PSR II Program. However, because of the desire to move quickly to procure agricultural inputs under the CIP, the review, approval and authorization process proceeded without the TA and Training Component. The CIP is being implemented independently of the TA component. It was planned that design of the TA and Training Component be completed after approval of the CIP. This amendment, to add \$2.0 million of Economic Support Funds to the authorization, is presented in line with this plan. However, after AID/Washington and U.S. Congressional review of the planned component (described in Maputo 2600 - PAAD, Annex C), the allocation of the \$2.0 million has been changed (see State 285910 in PAAD Annex C). Based on this most recent guidance, \$1.0 million will be authorized for technical assistance and the remaining \$1.0 million for the procurement of

additional commodities under the CIP. The major change from the originally planned \$2.0 million TA and training program will be the elimination of the participant training. However, there will still be significant in-country training provided by technical advisors.

The addition to the Commodity Import Program will be used to finance inputs for sale to family and commercial farmers who have traditionally grown surpluses for the Maputo and other local market areas in the South of the country. The analyses in the original PAAD justify the provision of additional money. Furthermore, the CIP conditions and the implementation procedures and arrangements remain unchanged from the original authorization. The Grant Agreement will be amended to permit the procurement of any of the approved commodities, but it is expected that the additional funds will be used to finance seeds and possibly fertilizer. The final decision will take place prior to the submission of the Financing Requests and will be based on PSR II Program objectives and identified private agricultural needs.

The \$1.0 million TA component is designed to address the second aspect of the project purpose, that is to meet critical needs in training and advisory services required for private sector development and increased food production. Clearly, the lack of trained human resources is one of the most serious constraints to economic recovery in Mozambique. Skilled training is required at almost all levels, but especially at the managerial and technical levels in the private sector.

For the TA component, the amendment sets out the TA activity selection criteria, an illustrative list of activities, and implementing and contracting arrangements. AID funding of all TA activities will be subject to the review and approval of detailed plans.

Authorization and Legal Requirements: A separate limited scope grant agreement will be signed for the TA component, while the 1985 CIP grant will be amended to add \$1.0 million. The IEE, statutory checklists and GPRM request for assistance contained in the original PAAD approval package apply to this amendment. The CN covers this amendment and the CN hold placed on the second million dollars of the TA component does not apply (references in Annex C of the PAAD).

An approved waiver to permit the procurement of services from individuals and firms with nationality code 935 (special freeworld) is attached as Annex C. There are no waivers required for the addition to the CIP.

- 2 -

Included in the TA grant will be a condition precedent to disbursement of funds for each activity that requires the GPRM to furnish, subject to AID approval, an implementation plan/schedule, planned inputs and outputs, cost estimates in dollars and local currency, a detailed scope of work, contracting arrangements and an implementing agency.

Project Management: REDSO/ESA has ultimate responsibility for project implementation; however, the Acting AAO/Maputo and the Commodity Management Officer in Mozambique will have day-to-day monitoring and implementation responsibility. The AID/W office acting as backstop to the program is the division of AFR/PD/SAP.

Recommendation: That you sign the subject PAAD amendment facesheet, thus approving the authorization of the \$2.0 million addition to the Mozambique Private Sector Rehabilitation Program II.

PAAD Amendment signed: James A. Hudson date: 24 Sept 85

Attachment: PAAD

Clearances: REDSO/ESA:RLA:PScott (draft)
REDSO/ESA:PROJ:JDempsey (draft)
RFMC:CONT:GByllesby (draft)
REDSO/ESA:AGR:RMcCollaugh (draft)
REDSO/ESA:CMO:LDunn (draft)

PAAD	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO.	656-0202 (PSR II)
		2. COUNTRY	MOZAMBIQUE
		3. CATEGORY	COMMODITY FINANCING - STANDARD PROCEDURES
		4. DATE	SEPTEMBER 20, 1985
5. TO: JIM GRAHAM REDSO/ESA, Acting Director		6. OYB CHANGE NO.	
7. FROM: JIM DEMPSEY <i>Jim Dempsey</i> PROJECTS DIVISION, REDSO/ESA		8. OYB INCREASE	
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$2,000,000 (\$13,000,000 LOP)		10. APPROPRIATION - ALLOTMENT	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD 10/85 - 9/88	14. TRANSACTION ELIGIBILITY DATE DATE OF AMENDMENT AUTHORIZATION

15. ITEMS FINANCED:
Technical assistance and training, trucks, tractors, agricultural implements and equipment, tractor and truck spare parts, seeds, hand tools, fertilizers, irrigation equipment, galvanized sheets, oil and other farm equipment and inputs as well as raw materials for the manufacture of agricultural inputs.

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only: \$1,000,000 (Commodities)	U.S.: \$1,800,000
Limited F.W.: _____	Industrialized Countries: _____
Free World: \$1,000,000 (Technical Assistance)	Local: _____
Cash: _____	Other: BRAZIL, PORTUGAL \$200,000
\$2,000,000	\$2,000,000

18. SUMMARY DESCRIPTION
This PAAD amendment authorizes the addition to the program of (1) \$1,000,000 million of technical assistance and training and (2) \$1,000,000 for the procurement of commodities. The revised LOP funding is \$13,000,000 of which \$12,000,000 will be for the CIP. The purpose of the Mozambique Private Sector II Program remains unchanged. The procedures and conditions for use of the funds added to the CIP are the same as those applied to the original program. The authorized source and origin is Code 000 (US only). The new TA component will assist Mozambique meet critical needs in training and advisory services required for private sector development and increased food production. The selection of TA activities to be financed will be based on the criteria set out in Section IV of the PAAD Amendment. Included in the TA grant will be a condition precedent to disbursement of funds for each activity that requires the GPRM to furnish, subject to AID approval, an implementation plan/schedule, planned inputs and outputs, cost estimates in dollars and local currency, a scope of work, contracting arrangements and an implementing agency. A waiver which permits the procurement of services up to \$1,000,000 from Code 935 nationalities has been approved by the AA/AFR (Annex B).

19. CLEARANCES	DATE	20. ACTION
PROJ: JGRAHAM <i>JG</i>	9/24/85	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
RCMO: LDUNN <i>LD</i>	9/23/85	<i>James A. Graham</i> 24 Sept 85 AUTHORIZED SIGNATURE DATE
RLA: PSCOTT <i>PS</i>	9/23/85	
AGR: RYCCOLAUGH <i>RY</i>	9/22/85	
CONTR: GBYLESBY <i>GB</i>	9/23/85	
		ACTING DIRECTOR, REDSO/ESA
		TITLE

CLASSIFICATION:

TABLE TO CONTENTS
MOZAMBIQUE PRIVATE SECTOR REHABILITATION PROGRAM II
(656-0202)
AMENDMENT

	Page
I. Background and Summary	1
II. Technical Assistance Component	2
III. Commodity Import Program Addition	3
IV. Implementation	3
A. Technical Assistance Component	3
1. Selection Criteria For TA Activities	3
2. Illustrative List of Activities	4
3. Procedures	8
B. Commodity Import Program	9
C. Responsibilities	9
D. Implementation Schedule	
E. Evaluation	11
V. Financial Arrangements	11
VI. Authorization and Legal Requirements	13

ANNEXES

- A. Support Budgets for Illustrative TA Activities
- B. Nationality Waiver Approval
- C. Amendment Decision Cables and References for CN

6

I. BACKGROUND

The purpose of the Mozambique Private Sector Rehabilitation Program (PSR) II, authorized on August 8th, 1985, is twofold:

1. to increase food production and improve its distribution by selling currently unavailable inputs to private sector farmers and traders; and
2. to assist Mozambique meet critical needs in training and advisory services required for private sector development and increased food production.

Two discrete but complementary components were planned to achieve the program purpose. First, there is the Commodity Import Program (CIP) of \$11.0 million (ESF), which was obligated on August 27, 1985. This CIP is providing foreign exchange for the importation of presently unavailable agricultural inputs for private sector farmers.

A \$2.0 million, 3-year technical assistance and training component was planned for the PSR II Program. However, because of the desire to move quickly to procure agricultural inputs under the CIP, the review, approval and authorization process proceeded without the TA and training component. The CIP is being implemented independently of the TA component. It was planned that design of the TA and Training Component be completed after approval of the CIP. This amendment, to add \$2.0 million of Economic Support Funds to the authorization, is presented in line with this original plan. However, after AID/Washington and the US Congressional review of the planned TA component (described in Maputo 2600 in Annex C), the allocation of the \$2.0 million has been changed (State 285910 in Annex C). Based on this most recent guidance, this PAAD amendment will authorize use of \$1.0 million for technical assistance and the remaining \$1.0 million for the procurement of additional commodities under the CIP. The major change from the originally planned \$2.0 million TA and training component is the elimination of the participant training. However, there will still be significant in-country training provided by technical advisors.

In summary, this amendment authorizes an increase of \$1.0 million in the CIP based on the original PSR II PAAD justification to be used in accordance with the arrangements set out in the PAAD and CIP Grant Agreement. Additionally, a \$1.0 million TA component is authorized and the amendment sets out the technical assistance selection criteria, an illustrative list of activities, and implementing and

contracting arrangements. AID funding of all TA activities will be subject to the review and approval of an implementation plan/schedule, planned inputs and outputs, detailed budgets, statements of work, contracting arrangements and implementing agency. A condition precedent to disbursement of funds for each activity under the TA component to this effect will be included in the grant agreement.

II. TECHNICAL ASSISTANCE COMPONENT

The \$1.0 million of technical assistance to be financed under this amendment is designed to address the second aspect of the project purpose, that is to meet critical needs in training and advisory services required for private sector development and increased food production. Clearly, the lack of trained human resources is one of the most serious constraints to economic recovery in Mozambique. Skilled training is required at almost all levels of the economy, but especially at the managerial and technical levels. For a country in which 80% of the population works in agriculture, there is an appalling lack of agricultural scientists, technicians and extension/educators. Similarly, in the crucial areas of policy analysis and data collection, the GPRM has little capacity. Finally, and most importantly, the private sector is weak not only because of the policy environment, but also because of the lack of technical and business skills.

Recognizing this situation, the GPRM has taken measures to recruit foreign nationals to work in the public sector and private enterprises (taken over by the GPRM) which are key to the development process. The GPRM has contracted directly with a large number of expatriate consultants, financing the costs from its own revenues; but in these times of extreme shortage of foreign exchange, it is becoming increasingly difficult for the GPRM to finance this technical assistance. To a large extent, the GPRM has relied, and must continue to depend upon, international donors to cover part or all of the foreign exchange costs of technical assistance.

Basic education is proceeding at a reasonable pace, given the extremely low level of literacy at the time of independence (approximately 10%). Higher level training is moving painfully slow because of the small number of educated Mozambicans who can benefit from such education opportunities. It is within this context, and because of the desperate need, that AID plans to launch this advisory and training assistance.

The 1984 PSR Program included a \$2.0 million TA element that, to date, has been used to finance expansion of existing efforts in debt management and private sector negotiation on ammonia

production. Approximately \$900,000 of 1984 TA funds remain to be programmed for new activities that are in line with the program objectives and the GPRM priorities. The process of developing new TA activities has been slow. Thus, this new program has an objective to move quickly in planning and implementing the activities. On the other hand, the very human resource weakness that this element will address is a major constraint demonstrated in the GPRM's inability to provide priorities and adequate activity plans. Given the GPRM's planning weaknesses and the difficulty that AID has had in recruiting competent, Portuguese speaking technicians to develop TA activities, it is necessary again this year to establish a process for the development and selection of activities in the \$1.0 million TA component. The activity selection criteria and procedures are presented in Section IV of this amendment.

III. COMMODITY IMPORT PROGRAM ADDITION

The original PAAD provided economic and other analyses that justified the provision of the \$11.0 million grant to finance the importation of agricultural inputs and raw material to produce inputs. The need for agricultural inputs was shown to be enormous and, in fact, the CIP is providing inputs to only a limited section of the country. Thus, the provision of an additional \$1.0 million of agricultural inputs is justified and is supported by the analyses presented in the PAAD.

The conditions, regional emphasis, and implementation procedures and arrangements remain unchanged from the original authorization. The Grant Agreement will be amended to permit the procurement of any of the commodities originally approved in the PAAD, but it is expected that additional funds will be used to finance seeds and possibly fertilizer. The final decision will take place prior to the submission of the Financing Requests and will be based on PSR II program objectives and GPRM identified agricultural needs.

IV. IMPLEMENTATION

A. Technical Assistance Component

1. Selection Criteria for TA Activities

In determining whether a specific activity falls within the scope of the grant, the following criteria apply and the activity must clearly fall within one or more of the areas listed below:

- a. rehabilitation and/or more effective operations of enterprises producing for export or import substitution and thereby directly contributing to foreign exchange earnings or savings;
- b. assistance in all aspects of the divestiture process;
- c. strengthened institutional capacity and policy formulation necessary to support and promote the development of the private sector including private farmers;
- d. collection and analysis of economic data needed for decisions on economic policy and structural reform contributing to promotion of the private sector;
- e. assistance to private enterprises and farmers directly contributing to increased food production; and
- f. rehabilitation of public utilities and services essential to private sector operations.

These criteria are the same as those included in the 1984 PSR I Technical Assistance and Training Component. They are purposely general in nature to allow flexibility to AID and the GPRM in selecting activities. Since the needs are so broad and the capacity of the GPRM so weak, the flexibility to respond to a wide range of private sector development needs is desirable.

2. Illustrative List of Activities.

Based on discussions with the GPRM and some initial analyses completed by consultants hired to review training and technical assistance needs, the following activities were identified for possible funding.

- a. TA component design and management (\$280,000),
- b. Promotion of private investment in mining and oil exploration (\$200,000),
- c. Business/investment climate assessment and development of an investment promotion action plan (\$150,000), and
- d. Privatization of the building materials and construction industries: a reorganization/divestiture action plan and a small entrepreneur workshop program (\$600,000).

To give the reviewer an idea of the activities, a general description (including beneficiaries), justification, planned inputs, estimated costs and private sector linkages are

provided for each. Detailed support budgets, identifying likely inputs, is contained in Annex A.

A. TA Component Design and Management

(1) Description

GPRM and private sector entities are unfamiliar with AID activity development and implementing procedures. Thus they require assistance (a) to identify areas/activities which are appropriate for the rehabilitation and development of the private sector, (b) to prepare statements of work, cost estimates, and implementation plans for such activities, (c) to develop requests for technical proposal packages and administer the contracting process, (d) to evaluate periodically contractor performance and technical supervision thereof, and (e) to audit the records of contractors to determine financial compliance.

Since detailed activity plans are not now available (but will be required before disbursement for each activity), there is little doubt of the need for a design and management entity, if AID is to create, support and rehabilitate the private sector in Mozambique. A design and management entity contract is essential to assist the GPRM and AAO/Maputo to plan the technical assistance. The contractor will develop the activities in conjunction with AAO/Maputo, Bank of Mozambique, technical ministries and private firms. Since the contractor will be designing activities targeted mainly to the support of the private sector, it will directly assist that sector.

(2) Resource Inputs

A full-time, locally-hired program assistant will work with the Bank of Mozambique, coordinating and preparing for the visits of the program manager (resident in the United States) and short term, technical specialists. The program manager will spend approximately six person-months in Mozambique preparing the detailed activity plans and arranging for the necessary activity reviews. Auditing services will be hired to conduct financial reviews of the TA contractors.

(3) Estimated Cost: \$280,000 as presented in Annex A.

b. Private Investment Promotion in Mining and Oil Exploration

(1) Description

This is a continuation of AID's involvement with the Ministry

of Mineral Resources to attract foreign private investment in mining projects and oil exploration. Under the activity a contractor will be hired to identify opportunities for foreign investment, seek out private international investors and firms interested in oil exploration and mining ventures, and assist in the negotiation of venture agreements involving private foreign investment. The activity advisor will help to develop plans and strategies for attracting such investments, to identify and contact specific companies to promote their interest in projects, and to draft investment agreements (including joint ventures with the Ministry). Further the contractor will help to coordinate all technical, legal and engineering inputs bearing on the venture, in addition to preparing studies and reports on its economic viability, marketing potential, and stages development. Finally, the firm will assist the Ministry in negotiating the foreign investment agreement.

(2) Resource Inputs

The activity will provide short-term technical consultants in mining and oil exploration promotion, in economic and market analyses, in evaluation of technical and engineering feasibility, and in project design and planning.

(3) Estimated Costs: \$200,000 as presented in Annex A.

c. Business/Investment Climate Assessment and Investment Promotion Action Plan

(1) Description:

In order to attract foreign investment into a wide range of sectors, the Ministry of Finance needs to finalize and clarify the investment code and related law and then make available in an easily used and understood manner the ways/means of actually investing in Mozambique. For this activity, a consultant will be hired to review the investment code and to identify those management and business practices governed by law, regulation, or practice, so as to help the GPRM to delineate its investment priorities, to define public, private and mixed investment options, and to clarify the details of the investment process and procedures. The consultant will explore the status of investment promotion, identify the impediments to foreign investment, evaluate options for overcoming these problems, and make specific recommendations in the investment and related laws and the establishment of a promotional organizational structure. Finally, the contractor would detail an action plan to facilitate foreign private investment.

The general economy would benefit from the promotion of foreign private investment. Such capital investment would increase local employment, enhance value added in country and promote foreign exchange earnings.

(2) Resource Inputs:

The activity would involve the provision of technical specialists in macro economics, private sector development, business law, financial markets, and management of promotional activities.

(3) Estimated Cost: \$150,000 as set out in Annex A

d. Privatization of the Building Materials and Construction Industries

(1) Description:

The building materials and construction industries were hurt seriously by the flight of Portuguese capital and technicians and managers following independence. As a result, the government had to intervene in the management and assume control of these abandoned enterprises. The Ministry of Construction has determined that as many enterprises as possible should be returned to the private sector once a plan has been set out to ensure their viability, efficiency and cost-effectiveness. This privatization activity would analyze this sector to (1) determine the managerial/technical strengths and deficiencies, (2) ascertain the appropriate scale, functions and geographic dispersion of industries, (3) delineate the roles of the public and private sectors, and (4) identify candidate firms for divestiture. To identify those managerial and technical training needs required by private sector firms and to develop training and other support programs for the rehabilitation and creation of small scale enterprises, a step-by-step action plan for restructuring and reorganizing the construction subsector will be prepared by the contractor in conjunction with the Ministry and private firms. This plan may require divesting the government holding companies of some or all of their firms.

To support the creation of a broad-based entrepreneurial pool, the consultant will also conduct workshops/seminars in management, finance/accounting and technical fields, which are both relevant to Mozambique and tailored to the educational and achievement levels of the participants. The activity will provide a training support structure for private individuals who own and operate (in many cases, for the first time) small-scale building materials and construction businesses.

The private entrepreneur will directly benefit by both the divestiture plan and the workshops/seminars designed to support the small-scale private businessman.

(2) Resource Inputs:

The activity calls for a full-time economist and civil engineer for up to 15 months, to be assisted by shorter-term technicians (organization and management specialist for up to 9 months and a training program design specialist for up to 6 months) and related short-term consultant experts, as needed. Support equipment for the analysis phase of the activity may include a microcomputer, light vehicles, typewriters, duplicating machines, and office supplies and materials. For the workshops and seminars, there is a need for audiovisual equipment, didactic materials and educational supplies.

(3) Estimated Costs: Up to \$600,000 as set out in Annex A.

3. Procedures

The implementing arrangements depend upon the development of specific plans for TA activities, such as those listed in the previous sections. The process by which AID and the GPRM will come to an agreement on specific activities starts with the criteria presented previously. All of the activities included in the illustrative list meet one or more of the criteria. Before an activity can be selected for funding, detailed activity plans must be completed. Using this information, both AID and the GPRM can make a judgment on the value of the activity. An overall workplan for the TA component will not be required but detailed budgets, scopes of work and implementing arrangements must be completed before program funds will be released for the proposed activity. See Section VI for the details of the CP to this effect.

To do the necessary work required to design and evaluate the activities, the AAO/Maputo has proposed using a separate FM&R funded activity and/or program funds as described in the TA component design and management activity (contract). The key issue is how to get this work started quickly, so that the direct development assistance activities of the program can start. A direct AID contract is planned for the management and design entity. It will be awarded competitively or, if appropriate, to an SA firm. Selection under this latter mechanism will substantially cut the lead time for getting a contactor.

The contracting arrangements for the approved TA activities will be kept as easily implementable as can be designed, because of the small staff in the AAO/Mozambique and limited availability of management and technical support from regional offices. An important objective is to keep the number of contracts to a minimum. In fact, the design and management contractor will be instructed to develop, if possible, a scope of work that includes technical and advisory assistance for all of the planned TA activities funded under this component.

B. Commodity Import Program

The implementation procedures and arrangements are the same for the CIP amendment as set out in the original program. Revisions in the implementation schedule are presented below.

C. Responsibilities

The Project Development Officer in Maputo (who is expected to be Acting AAC through most of FY 1986) will have primary responsibility for coordinating the activities of the TA component in collaboration with the appropriate GPRM officials. Within the GPRM, the Bank of Mozambique will serve as the coordinating unit for the Program. When an activity has been approved and proposed contracting arrangements set, AID will work with the agencies responsible for implementing each activity and the selected contractor. These agencies may include private firms, government-intervened industries, ministries, or other public sector institutions. Contractors will be hired either by AID directly or by the host country institution. These contracting responsibilities will be spelled out in detail in the activity write-ups.

The responsibilities for the CIP implementation remain unchanged from those set out in the original PAAD.

Throughout the life of the program, REDSO/ESA and other regional staff will provide support services to the program. In AID/Washington, AFR/PD/SAP will provide program backstopping and implementation support.

111

D. Implementation Schedule

<u>Date</u>	<u>Action/Activity</u>	<u>Responsibility Office</u>
<u>1985</u>		
September 20	-Authorization signed	REDSO
September 23	-Grant amendment signed	AAO/GPRM
End October	-Decision on CIP procurements	AID/GPRM
November	-FR(s) sent	GPRM
	-Management entity contracting process begins	AAO/RCO
December	-RFQs sent	GPRM
<u>1986-1988</u>		
January	-Evaluation of RFQs	GPRM/AID
January	-LCs issued and procurement begins	GPRM/AID
January to December 1986	-Activity Planning and Selection	Contractor/ GPRM/AID
March-June 1986	-Commodities delivered	Suppliers
March 1986 to September 1988	-Activities implemented	Contractors/ GPRM
December 1986	-CIP impact evaluation	AID
February 1987	-CIP terminal disbursement	
September 1987	-TA evaluation	Management Entity/ AID/GPRM
September 1988	-PAUD for TA grant	

15

E. Evaluations

The plan for evaluation of the CIP is described in the original PAAD and the same arrangements will be used for the amendment.

Included in the management and design contract will be funds to complete an independent evaluation of the TA component in about September 1987. This will coincide with the planned second evaluation of PSR I and give adequate time for the activities to achieve many of their objectives. The evaluation will review:

- a) the TA activity design and selection mechanism,
- b) achievements of the activities as set out in their detailed description (objectives, inputs, outputs and schedules),
- c) the relative success of the activity as a means to help identify which areas might receive additional assistance, and
- d) complementarity of TA activities with the CIP.

An agriculturalist, a private sector development advisor and a training specialist will work with an AID officer, experienced in evaluations, to complete the assessment. The estimated cost of the evaluation is \$30,000 and this amount will be included in the design and management contract.

V. FINANCIAL ARRANGEMENTS

A. Technical Assistance Component

Each of the items in the illustrative list of activities includes an estimated cost, the details of which are presented in Annex A. The total of all the activities listed in the previous section is \$1.23 million (Table 1) which is substantially more than the planned \$1.0 million authorization. The present budgets are only estimates and firm financial plans will be required for activity approval. What is actually financed will depend on the detailed plans to be carried out by the management and design entity. It is possible that all three of the illustrative activities could be financed but at a lower level. On the other hand, only two may be financed, but use all of the funds available. No activity will be approved unless it can be fully funded. Since the criteria and procedures for this program are essentially the same as those in PSR I, the possibility exists that joint funding of an activity with last year's program could be

approved. This may be desirable to close out the funding balance in one or the other of the programs.

In general, the GPRM will provide for the lodging and meals of short-term consultants and housing for the longer term consultants. It will supply office space, will pay telephone, telex, and utility bills (within Mozambique), in-country travel (including in-city transportation for short-term consultants) and in-country secretarial services. Other in-kind costs to be provided either by the GPRM or private firms include counterpart salaries and support as well as participants salary and limited support costs. The AAO/Maputo and the GPRM are exploring the possibility of using local currency counterpart funds to assure financing for these activities. Each subactivity will include details of the GPRM's, participants' and private sector contributions.

TABLE 1

Financing Estimates
Illustrative Activities
PSR II - Technical Assistance Component

<u>Activity</u>	<u>Amount</u>
1. Management Entity	\$ 280,000
2. Private Investment Promotion in Mining and Oil Exploration	200,000
3. Business/Investment Climate Assessment and Investment Promotion Action Plan	150,000
4. Privatization of the Building Materials and Construction Industries	up to <u>600,000</u>
TOTAL	up to \$ 1,230,000

* The total for the illustrative list is greater than the \$1,000,000 available since the list of activities is illustrative and the budgets are not firm.

B. Commodity Import Program

The financial arrangements as presented in the original PAAD will be used for all commodities procured under the CIP amendment.

VI. AUTHORIZATION AND LEGAL REQUIREMENT

The PSR II TA component and the \$1.0 million addition to the CIP are being authorized through this amendment to the original PAAD. A separate limited scope grant agreement will be signed for the TA component while the 1985 CIP grant will be amended to add \$1.0 million. The IEE, statutory checklists and GPRM financing request contained in the original PAAD approval package apply to this amendment. The original CN covers this amendment and the CN hold placed on the second million dollars of the TA component does not apply (references in Annex C).

An approved waiver to permit the procurement of services from individuals and firms with nationality code 935 (special free world) is attached as Annex C. No additional waivers are required for the \$1.0 million increment to the CIP.

Included in the TA grant will be a condition precedent to disbursement of funds for each activity that requires the GPRM to furnish, subject to AID approval, an implementation plan/schedule, planned inputs and outputs, cost estimates in dollars and local currency, a scope of work, contracting arrangements and an implementing agency.

Although the time available to sign the grant agreement is limited, the AAO/Mozambique believes that there are no serious issues with the GPRM and that the prog can be signed before the end of the fiscal year.

DETAILED SUPPORT BUDGETS FOR
ILLUSTRATIVE LIST OF ACTIVITIES,
PSR II TA AND TRAINING COMPONENT

1. Subproject Management and Development Entity

Project Assistant (1 year)	\$14,000
Project Manager (\$200 x 200 days)	40,000
Short Term Technical Consultants (10 persons x 25 days x \$200)	50,000
General Administrative Costs and overhead (60% of salaries)	61,000
International Travel 14 x 2,500	35,000
Accounting Services (Three audits)	21,000
Evaluation	30,000
Word processing equipment and supplies	10,000
Incidental travel costs	2,000
Documentation/translation costs	5,000
Mail/telex/telephone (12 x 500)	6,000
Contingencies	10,000
TOTAL	\$ 280,000

2. Private Sector Promotion

For the Mining Component:

- Promotion Exec. (40 x 240)	\$ 10,400
- Senior Economist (80 x 220)	17,600
- Economic Analyst (60 x 220)	17,600
- Secretarial Support (50 x 60)	3,000
- General Administrative and overhead costs (60% for salaries)	25,000
- International Travel (Mozambican counterparts (1,000 x 9)	9,000
- Communication/Air freight	6,000
- Report reproduction/translation	5,000
- Computer costs	4,000
- Subcontractors (Leg/Eng)	25,000
- Contingencies	9,700
Sub-Total	\$ 150,000

For the oil exploration component

- Promotion Exec (20 x 260)	\$ 5,200
- Senior Economist (30 x 220)	6,600
- Economic Analyst (25 x 200)	5,000

- Secretarial Support (20 x 60)	1,200
- General Administrative and overhead costs (60% of salaries)	10,800
- International travel: consultants (2,500 x 3)	7,500
- International travel (Mozambican counterparts) (1,000 x 3)	3,000
- Communications/Air freight	2,000
- Report reproduction/translation	2,000
- Computer costs	1,000
- Subcontractors (Leg/Eng)	4,000
- Contingencies	1,700
	<hr/>
Sub-Total	\$ 50,000
	<hr/>
TOTAL	\$ 200,000

3. Business/Investment Climate Assessment and Investment Promotion Action Plan

Project Manager - Promotion Executive (60x260)	\$ 15,600
Senior Economist (49x294)	9,000
Private Investment Specialists (50x250)	12,500
Law specialist (20x250)	5,000
International Financial Specialist (30x200)	5,000
Staff Assistant (70x150)	10,500
Secretarial Support (70x60)	4,200
General Administrative and overhead costs (60% of salaries)	37,690
International travel consultants (2,500x9)	22,500
International Travel/ Per Diem: Mozambican Officials (2,500 x 3)	6,000
Communications	4,000
Report Reproduction/translation	5,000
Specialist subcontractors	5,000
Contingencies	7,020
	<hr/>
Total	\$150,000

4. Privatization of the Building Materials and Construction Industries

Economist Project Director (\$4500x15mo)	\$67,500
Civil Engineer (\$4000x15mo)	60,000
Organ/Management Specialist (\$4000x9mo)	36,000
Training Design Specialist (\$4000x6mo)	24,000
Technical experts (100 days x \$200)	20,000
Allowances for longer term personnel (40 percent of salaries)	75,000
Micro computer with software	25,000
Office equipment/supplies	35,000
Audio visual didactic equipment	10,000
Instructional material supplies	5,000
Transport of personal effects	20,000
Transport of office equipment/supplies	20,000
Two light vehicles, maintenance, gas	22,000
International transportation (8x2,500)	20,000
General Administrative and overhead costs (60 percent of base salaries)	118,500
Housing maintenance (4x4,000)	16,000
Communications	6,000
Contingencies	20,000
Total	<hr/> \$600,000

OF COMMODITIES NEEDED TO PUT THESE INDUSTRIES BACK INTO BUSINESS.

FOR BOTH TECHNICAL ASSISTANCE AND TRAINING SERVICES, AID AND THE GPRM MAY NEED TO OBTAIN PORTUGUESE OR BRAZILIAN INDIVIDUALS OR FIRMS BECAUSE OF THEIR FAMILIARITY WITH THE MOZAMBIQUE ECONOMY AND BECAUSE OF LANGUAGE CONSIDERATIONS. DISCUSSION WITH THE GPRM INDICATE THAT SUCCESSFUL REHABILITATION OF CERTAIN PRIVATE SECTOR ENTERPRISES WILL BE GREATLY ENHANCED BY THE USE OF TECHNICIANS FROM PORTUGAL AND BRAZIL AND THE USE OF ESTABLISHED TRAINING CENTERS IN THESE COUNTRIES. AS AN EXAMPLE, THE REHABILITATION OF THE CHOCOME TRACTOR REPAIR CENTER, WHICH AID WILL SUPPORT UNDER THE FY 84 PROGRAM, WILL PROCURE TRAINING AND TA SERVICES FROM PORTUGAL. THIS OPTION WAS MADE POSSIBLE BY THE SOURCE/ORIGIN WAIVER APPROVED BY AA/AFR FOR THE FY 84 PROGRAM.

DECISIONS RELATED TO THE AMOUNT OF TECHNICAL ASSISTANCE AND TRAINING FUNDS THAT WILL BE USED FOR PORTUGUESE OR PORTUGUESE-SPEAKING TECHNICIANS WILL DEPEND ON THE NATURE OF THE GPRM'S REQUESTS FOR ASSISTANCE. SO FAR THESE REQUESTS FOR FUNDING UNDER THE FY 85 PROGRAM, THAT MAY INVOLVE SERVICES FROM 935 SOURCE AND ORIGIN, INCLUDE THE FOLLOWING: GENERAL TECHNICAL PARTICIPANT TRAINING

(ESTIMATED DOLS 402,202); AND PRIVATIZATION OF THE BUILDING MATERIALS AND CONSTRUCTION INDUSTRIES: A REORGANIZATION/INVESTMENT ACTION PLAN AND A SMALL ENTREPRENEUR WORKSHOP PROGRAM (ESTIMATED DOLS 600,202).

ALTHOUGH IT IS ANTICIPATED THAT THE SERVICES WILL BE PROCURED FROM PORTUGUESE, BRAZILIAN, OR MOZAMBIQUE SUPPLIERS, THIS WAIVER WILL PERMIT PROCUREMENT FROM ANY CODE 935 COUNTRY. MOZAMBIQUE IS INCLUDED IN THE WAIVER (CODE 935, NOT CODE 899) TO ALLOW PROCUREMENT OF SERVICES FROM EXPATRIATES (OR PORTUGUESE CITIZENS) WHO ARE LONG-TERM RESIDENTS OF MOZAMBIQUE.

AS PART OF THE PRE-IMPLEMENTATION PHASE OF THE FY 85 PROGRAM, SCOPES OF WORK WILL BE PREPARED AND IMPLEMENTATION ARRANGEMENTS WILL BE FINALIZED. AT THAT TIME, DECISIONS WILL BE MADE ON APPROPRIATE SOURCES FOR PROCUREMENT OF CONTRACT SERVICES. IN ORDER TO PROVIDE THE PROGRAM WITH MAXIMUM FLEXIBILITY AND TO EXPEDITE CONTRACTING ACTIONS, A WAIVER FROM CODE 935 TO CODE 935 IS REQUESTED FOR THE NATIONALITY OF SUPPLIERS OF SERVICES.

JUSTIFICATION: THIS WAIVER IS JUSTIFIED BASED ON THE CRITERIA SET FORTH IN SECTION 5D10A(1)(F) OF HANDBOOK BT

#9577

NNNN

UNCLASSIFIED

3 STATE 289577/22

1B: "SUCH OTHER CIRCUMSTANCES AS ARE CRITICAL TO THE SUCCESS OF PROJECT OBJECTIVES." CRITICAL TO THE ACHIEVEMENT OF PROJECT OBJECTIVES IS THE PARTICIPATION OF PORTUGUESE AND PORTUGUESE-SPEAKING TECHNICIANS WHO HAVE SKILLS AND EXPERIENCE PARTICULARLY WELL SUITED FOR ASSISTANCE TO MOZAMBIQUE. YOU HAVE AUTHORITY TO APPROVE THIS WAIVER UNDER SECTION 5D12C OF HANDBOOK 1P, SINCE THE AMOUNT INVOLVED IS LESS THAN DOLS 5.0 MILLION. YOUR APPROVAL IS REQUIRED SINCE WAIVER AUTHORITY UNDER THIS CRITERIA HAS NOT BEEN REDELEGATED TO THE FIELD IN ANY AMOUNT.

RECOMMENDATION: THAT YOU 1) WAIVE THE REQUIREMENT FOR CODE 428 TO CODE 935 PROCUREMENT WITH RESPECT TO THE NATIONALITY OF THE SUPPLIERS OF SERVICES AND 2) CERTIFY THAT THE INTERESTS OF THE UNITED STATES ARE BEST SERVED BY PERMITTING THE PROCUREMENT OF SERVICES FROM FREE WORLD COUNTRIES, OTHER THAN THE COOPERATING COUNTRY AND COUNTRIES INCLUDED IN CODE 941. SEPLTZ

BT
#9577

NNNN

UNCLASSIFIED

STATE 289577/22

BEST AVAILABLE COPY

24

JH

UNCLASSIFIED

STATE 256612

AID-3 0000 OHRON-3

REDSO FILE

00 RUELIK

DE RUHMO #6612 2321923

ZNR UUUUU 234

O 201923Z AUG 85

FM SACSTATE WASHDC

TO RUEHMO/AMEMBASSY MAPUTO IMMEDIATE 9664

INFO RUEHNE/AMEMBASSY NAIROBI IMMEDIATE 2541

BT

UNCLAS STATE 256612

LOG: 425 774
21 AUG 85 1524
CN: 12879
CERG: AID
DIST: AID

Dempsey

AIDAC

NAIROBI FOR REDSO

E.O. 12858: N/A

TAGS:

SUBJECT: MOZAMBIQUE PRIVATE SECTOR REHABILITATION PROGRAM--T.A.

REF: (A) MAPUTO 2417; (E) TELCOM NURICK/SHANE 2/18/85

1. REFERRAL PARA 12 (B) PROVIDES LIST OF ACTIVITIES TO BE FUNDED UNDER FY 85 TA PROGRAM. IN ORDER TO RESPOND APPROPRIATELY TO QUESTIONS FROM THE HILL ON THESE ACTIVITIES, REQUEST THAT MISSION PROVIDE:

BRIEF DESCRIPTION OR SCOPE OF WORK TO BE ACCOMPLISHED UNDER EACH ACTIVITY AND BENEFICIARIES; TABLE FOR COST ESTIMATES, NATURE OF RESOURCES PROVIDED FOR EACH ACTIVITY; AND EXPLANATION OF HOW EACH ACTIVITY RELATES TO PRIVATE SECTOR PURPOSE OF THE PROGRAM.

IN PARTICULAR, PLEASE PROVIDE EXAMPLES OF TYPES OF TRAINING TO BE PROVIDED UNDER AFRAD (FOR BOTH '84 AND '85) PROGRAM AND UNDER CATEGORY OF TECHNICAL TRAINING, LISTED AS '85 ACTIVITY. PLEASE RESPOND BY IMMEDIATE CABLE.

2. WHEN THIS SUPPLEMENTAL INFORMATION IS RECEIVED, WE WILL DETERMINE WHETHER WE HAVE SUFFICIENT BASIS TO GO TO THE HILL WITH REQUEST THAT HOLD BE LIFTED. WE ARE CONCERNED ABOUT THE DEGREE OF PUBLIC VS. PRIVATE SECTOR ASSISTANCE YOU CONTEMPLATE, PARTICULARLY WITH RESPECT TO 12 B (2) AND (3) ACADEMIC AND TECHNICAL TRAINING AND 12 B (4) COMPUTER-ASSISTED AGRICULTURAL PLANNING. WE ALSO BELIEVE SOME OF THE COST ESTIMATES TO BE HIGH, PARTICULARLY 12 B (7), PRIVATIZATION OF BUILDING MATERIALS.

3. PLEASE RESPOND THIS WEEK SO THAT DETERMINATION CAN BE MADE ASAP. SUGGEST ALAN SILVA CALL KAREN NURICK OR WENDY SPICKEL FOR BACKGROUND, IF NECESSARY. WHITEHEAD

BT

NNNN

JH

UNCLASSIFIED

STATE 256612

DATE	
TIME	
ACTIVITY	Redso
DIC	
DIR	
DDIC	
DDICG	
DDICR	
DDICT	
DDICM	
PROG	
HRD	
PLN	
PE	
AGR	
EXG	
PER	
GSO	
RE	
OHRON	
OMR	
MAIL	

RECEIVED
2 AUG 1985

26

FB

UNCLASSIFIED

STATE 241263

AID-3 ECON CERCA-5

REASO FILE

VZCZCNA0477
 CO RUEENR
 IE RUEHC #1060 2182044
 ZNR UUUUU ZZE
 O 062042Z AUG 85
 FM SECSTATE WASHDC
 TO RUEENR/AMEMBASSY NAIROBI IMMEDIATE 7863
 INFO RUTRHC/AMEMBASSY MAPUTO IMMEDIATE 9572
 RUEEMB/AMEMBASSY MBERANE IMMEDIATE 5957
 BT
 UNCLAS STATE 241263

REASO FILE
 COPY

LCC: 396 217
 26 AUG 85 2043
 CN: 20714
 CERG: AID
 DIST: AID

AIDAC, NAIROBI FOR REASO DIR

F.O. 12356: N/A

TAGS:

SUBJECT: MOZAMBIQUE PRIVATE SECTOR REHABILITATION PROJECT 690-2221

Dempsey

1. EXCEPT AS NOTED BELOW, CONGRESSIONAL HOLDS ON SUBJECT PROJECT ARE LIFTED. SENATE APPROPRIATIONS COMMITTEE HAS RETAINED A HOLD LIMITED TO DOLS ONE MILLION OF THE TECHNICAL ASSISTANCE AND TRAINING COMPONENT OF THE PROJECT IN FY 1986. THIS LIMITED HOLD REFLECTS COMMITTEE STAFF DESIRE FOR MORE PRECISE DELINEATION OF HOW TECHNICAL ASSISTANCE FUNDS ARE TO BE SPENT.

2. UPON RECEIPT OF ALLOWANCE VIA SEPTEL, YOU MAY AUTHORIZED AND OBLIGATE DOLS ELEVEN MILLION FOR AGRICULTURAL EQUIPMENT AND COMMODITY ASSISTANCE FINANCING COMPONENT OF THE PROJECT (CIP).

3. 653(F) NOTIFICATION WENT TO HILL AUG 1. UPON EXPIRATION OF 653(S) AND RECEIPT OF APPORTIONMENT WE WILL NOTIFY YOU THAT YOU MAY AUTHORIZED UP TO DOLS TWO MILLION FOR T.A.; HOWEVER, ONLY DOLS ONE MILLION WILL BE ALLOWED FOR OBLIGATION PENDING RESOLUTION OF THE LIMITED CONGRESSIONAL HOLD.

4. SER/COM/IS IS COMPLETING ACTION ON SHIPPING WAIVERS. YOU SHOULD RECEIVE NOTIFICATION SHORTLY VIA CABLE.

5. ADVISE AFR/DP BY IMMEDIATE CABLE WHEN OBLIGATION IS INCURRED. SEPTEL FOLLOWS ON TA SITUATION IN VIEW OF LIMITED CONGRESSIONAL HOLD. SEULTZ

BT #1060

NNNN

FB

UNCLASSIFIED

STATE 241263

RECEIVED
 - 8 AUG 1985
 REASO FILE

DATE BY	8-7
REPLY DUE	8-7
ACTION TO	REASO
DIR	
D/DIR	
REASO	
AMUDO	
DIG/A	
DIG/H	
RFMO	1
PROG	
REF	
PII	
PH	
AGN	
ERO	
PER	
GSO	
RF	1
CERCA	1
CAR	
EMB	

111

21

FF UNCLASSIFIED

MAPUTO 000771

9-20

052

AIDAC

URGENT
TO: MAPUTO
FROM: NAIROBI
SUBJECT: ...
PRIORITY 0703
INFO: ...
PP
UNCLAS MAPUTO 0771

RCN: ...
19 ...
ON: ...
CARGO: ...
DIST: ...

AIDAC

NAIROBI ...

Dempsey

N.O. ...
SUBJECT: ... PRIVATE ... REHABILITATION II (...)
... STATUTORY CHECKLIST

RE: 1) ... 2) NAIROBI ...

ALICE ... REVISIONS ... PROJECT ... CHECKLIST
(...) ...
... TO ...

0771

END

FF UNCLASSIFIED

MAPUTO 000771

000

AIR-2 (01) 000000

NRNR

TO DIRECTOR, AIR FORCE
FROM SAC, MEMPHIS (44-1987) (P)
SUBJECT: MURKIN; MURKIN; MURKIN

TO: SAC, MEMPHIS
FROM: SAC, MEMPHIS
INFO: SAC, MEMPHIS
CLASS: ATD
DISC: ATD

TO DIRECTOR, AIR FORCE
FROM SAC, MEMPHIS (44-1987) (P)
SUBJECT: MURKIN; MURKIN; MURKIN

ALSO, MEMPHIS (44-1987) (P)

TO: SAC, MEMPHIS (44-1987) (P)

NRNR

TO DIRECTOR, AIR FORCE
FROM SAC, MEMPHIS (44-1987) (P)
SUBJECT: MURKIN; MURKIN; MURKIN

TO DIRECTOR, AIR FORCE (44-1987) (P)

1. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

2. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

NRNR

3. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

4. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

NRNR

5. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

6. RE MEMPHIS TELETYPE TO BUREAU, 1/11/68.

NRNR

NRNR

NRNR

31

1100-1000 000000

000000
 000000
 000000 000000
 000000
 000000
 000000
 000000/000000 000000 000000
 000000/000000 000000 000000
 000000
 000000 000000

LOG: 0000
 ZC: 0000 0000 1000
 CR: 0000
 CHG: 0000
 DIST: 0000

0000

AIDAC

AIDAC FOR REUSO/USA (FOO DEMPSEY)

-AID FOR AFR/PA (MURIC) AND AFR/SA

000000: 0000

SUBJECT: MOZAMBIQUE PRIVATE SECTOR REHABILITATION II (000000)

0000

REF: 000000 000000 STATE 000000 000000/000000
000000, 000000 0000

1. 000000 0000, 0000 000000 0000 0000 (0)
 000000 0000 000000 0000 0000 000000 0000 0000
 (000000 000000 000000, 000000)

2. 000000 0000 0000 0000 0000 0000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000

0000

3. 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000

4) 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000

0000

5) 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000
 000000 000000 000000 000000 000000 000000

6. GIVEN LIMITED TIME AVAILABLE, REQUEST THAT ANY
 FURTHER CORRECTIONS BE MADE / ANSWERED BY PHONE (OFFICE
 NO. 000000/000000-0, HOME 000000) AND TIME, DAY OR NIGHT,

00

01

UNCLASSIFIED

MAPUTO 002786

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

0200

0200

0200

03

UNCLASSIFIED

MAPUTO 002788

0200

BEST AVAILABLE COPY

0200

0200

0200