PD-BAS-666 Fiche- PP

IMPROVEMENT OF THE BLANTYRE-TETE-HARARE ROAD
(690-0234.12)

USAID/MALAWI
JULY 1984

ACTION MEMORANDUM FOR THE AID REPRESENTATIVE TO MALAWI

FROM: Murl R. Baker, Projects Officer, USAID/Malawi

SUBJECT: Project Authorization: Improvement of the Blantyre-Tete-Harare Road (690-0234.12).

PROBLEM: Your approval is required for a grant of $500,000 from the Section 531, Economic Support Fund appropriation to the Government of Malawi for the Southern Africa Regional Project entitled "Improvement of Blantyre-Tete-Harare Road" (690-0234.12). A total of $500,000 will be obligated in FY 1984.

DISCUSSION: The improvement of the Blantyre-Tete-Harare road project is one of many activities sponsored by AID which contributes to the goal for the Southern Africa Regional program of assisting the majority-ruled countries of the Southern Africa in alleviating the problems that inhibit the economic growth and development in the region. One of these problems, namely transportation linkages among the majority-ruled nations of Southern Africa has been identified by the Southern Africa Development Coordination Conference (SADCC) as the most serious constraints to economic growth and productivity in the region. As a key regional road link, the Blantyre-Tete-Harare road is highly important to the present and future growth and stability of the region.

The purpose of the project is to reduce the time and cost of transporting goods over the Blantyre-Mwanza link of the Blantyre-Tete-Harare road. The road between Blantyre and Mwanza is 96 kilometers long, with 16 kilometers of paved road between Blantyre and the Chileka Airport and 80 kilometers of unpaved road surface between Chileka Airport and Mwanza. The assistance provided under this project will be used to make improvements on sections of the 80 kilometer stretch of unpaved road. There is an urgent and immediate need to improve the present condition of this road which serves as a vital link between southern Malawi, Mozambique and Zimbabwe. The work must commence immediately during the present dry season (April-November) to facilitate the movement of goods along this road between Malawi and Zimbabwe. The planned road improvements are urgently needed now to facilitate the transport of maize from Malawi to Zimbabwe's drought-stricken areas in a timely and cost-effective manner. Failure to take action to improve the condition of the unpaved road surface immediately and complete the majority of this work before the end of the dry season in November 1984 will result in losses of needed markets and foreign exchange earnings to Malawi, shortfalls in the quantity of maize which can be provided to Zimbabwe's drought victims, and in general, an adverse effect on the economic and social well-being of rural people of these countries.

The road improvements funded by the Project include:

- Filling potholes and reshaping and compacting damaged portions of the existing road;

- Removing rock outcroppings along various sections of the unpaved road;

- Reducing the sharp curves and steep gradients that currently exist along several sections of the road as well as compacting and smoothing the unpaved road surface; and,

- Improving storm water drainage systems on the road where erosion is a major problem.

Improving the Blantyre-Tete-Harare road will benefit primarily the regional trucking industry which uses the road for regional trade and their clients. The principle commodities to be transported over the road are maize for drought-stricken people in Zimbabwe and fertilizers for use by Malawian farmers. End users of these commodities (Malawian farmers and Zimbabwe's drought stricken population) will benefit from the timely arrival and reduced transportation costs. The Governments of Malawi and Zimbabwe will also benefit substantially because of cost savings and increased foreign exchange earnings in the case of Malawi. Finally, improving the road will generate an estimated 12,000 man-days of off-farm employment within the region.

In order to accomplish the objectives of the project, $500,000 will be obligated in FY 1984. A second tranche of funding may be added in early FY85 of the magnitude of $100,000 if the need is substantiated and if funding is available from AID.

The Government of Malawi will contribute an estimated $155,000 toward making improvements in the existing road over the two year duration of the project. The GOM contribution will provide normal road maintenance on the road estimated to cost 65,000 MK per annum. The GOM will also provide all needed supervisory personnel to improve and maintain the road. These supervisory costs are estimated to be about 35,000 MK per annum.

The improvement work on the road will be executed by the Ministry of Works and Supplies (MOWS) on a force account basis. AID financing will be provided on a cost reimbursement basis. The Roads Department of the MOWS has had a considerable amount of experience in carrying out the required work, and the necessary heavy equipment, labor and supervision are locally available and in ample supply for this activity.

Summary Project Budget

Budget Line Item (AID Contribution)	Estimated Cost
Plant and Vehicle Hire	$ 280,000
Fuels and Lubricants	110,000
Temporary Labor and Allowances	65,000
Materials and Supplies	45,000
Sub Total	$ 500,000

Budget Line Item (GOM Contribution)		
Permanent supervisory personnel	MK	70,000
Road maintenance and minor repair	MK	130,000
Subtotal	MK	200,000 or $155,000.
Total Project Budget		$655,000

It has been concluded from the analysis in the project paper that:

1. the project is technically and economically sound and socially acceptable;
2. the technical design and cost estimates are reasonable and adequately planned, thereby satisfying the requirements of Section 611(a) of the Foreign Assistance Act of 1961, as amended;
3. the timing and funding of project activities are appropriately scheduled;
4. sufficient planning has been done for the implementation, monitoring and evaluation of project progress; and,
5 all statutory criteria have been satisfied.

The Initial Environmental Examination, contained in Annex D of the project paper has been reviewed and a negative determination has been recommended by the REDSO/ESA Environmental Officer and concurred in by the AFR Bureau Environmental Officer (NAIROBI 16564 and STATE 162203).

Conditions and covenants applicable to this project are to insure sound project implementation and insure that the road is maintained properly for the duration of the project. The conditions and covenants are as follows:

-- Prior to the initial disbursement of AID funds to reimburse the GOM for expenses incurred in making the road improvements, the GOM shall submit a project implementation plan in form and content acceptable to AID;

-- The Government of Malawi covenants to assume the responsibility of financing regular maintenance of the road over the two year life of the project. The estimated amount of funding required for this normal road maintenance is estimated to be 130,000 MK; and,

-- AID agrees to reimburse the Malawi Government for costs of improving the road which it has incurred since April 1, 1984.

These conditions and covenants, reimbursement and reporting requirements have been discussed with the GOM and are acceptable. A waiver is requested permitting the procurement of approximately $110,000 of fuels and lubricants from Geographic Code 935 sources and origins (see NAIROBI 19885).

A project review meeting was held by REDSO/ESA officials on June 4, 1984 and the Acting Director of REDSO/ESA provided his concurrence for you to authorize the project as is required under DOA 140(R) (NAIROBI 17206). A Congressional Notification advising Congress of this activity was submitted on May 17, 1984, and the 15-day waiting period expired on June 2, 1984. STATE 169191 advised USAID that the thirty day waiting period after Congressional Notification of the Bilateral Debt Rescheduling Agreement expired on June 8, 1984. Funds for the Project are available and have been reserved per HARARE 3600.

The Project will be implemented by the Roads Department of the Ministry of Works and Supplies. The designated Project Manager is the Regional Controller of Works (South). This individual is responsible for the preparation of the project implementation plans, monthly progress reports and the summary expenditure reports upon which reimbursements will be made. USAID/Malawi will advise and assist the project implementation team. The AID Regional Engineer will periodically make on-site visits and consult with the implementation team and prepare site inspection reports. The MOWS and the Ministry of Transport and Communications will conduct a mid-term evaluation. AID and MOF will organize and conduct the final project evaluation.

Within USAID/Malawi, the Project Officer will backstop project implementation in close collaboration with the AID Regional Engineer. The AID/W backstop officer will be Leroy Jackson, AFR/PD/SA.

RECOMMENDATION: That you sign the attached Project Authorization, thereby approving a Grant of $500,000 to the Government of Malawi for this activity and authorizing the obligation of $500,000 for this project this fiscal year. The Authorization includes the requested source/orgin waiver for the procurement of fuels and lubricants.

Attachments:

1. Project Authorization
2. Project Paper with Annexes A through G

Clearances:

USAID/Malawi Program Officer: DGarms _____ Date July 10, 1984

PROJECT AUTHORIZATION

Name of Country/Entity:	Malawi (Southern Africa Regional)
Name of Project:	Improvement of the Blantyre-Tete-Harare Road
Number of Project:	690-0234.12

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Southern Africa Regional Improvement of the Blantyre-Tete-Harare Road Project for Malawi, involving planned obligations of not to exceed Five Hundred Thousand United States Dollars ($500,000) in grant funds over a two year period from date of authorization, subject to the availablity of funds in accordance with the A.I.D. OYB allotment process to help in financing foreign exchange and local currency costs of goods and services for the Project.

2. The Project consists of assistance to the Cooperating Country for emergency temporary improvements to selected sections of approximately 80 kilometers of unpaved road located in Malawi between the Chileka Airport and Mwanza, by financing the costs of rehabilitation services and commodities (hereinafter referred to as the "Project").

3. The Project Agreement, which may be negotiated and executed by the Principal A.I.D. Officer in the Cooperating Country, shall be subject to following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

A Source and Origin of Goods and Services

Goods and services, including ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the United States, the Cooperating Country or in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

B. Conditions Precedent to Disbursement

Prior to the first disbursement under the Grant or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance to A.I.D., a Project Implementation Plan.

C. Covenants

(1) The Cooperating Country shall agree to perform and finance regular maintenance of the road for the two year life of Project.

(2) A.I.D. shall agree that expenses incurred by the Government of Malawi prior to the date of this agreement, beginning April 1, 1984, for the improvement of the road, are eligible for reimbursement by A.I.D. under the Grant.

(3) The Cooperating Country shall agree to submit to A.I.D. periodic (at not less than quarterly intervals) implementation reports on the Project, including the progress made to date and work plans for the next reporting period.

D. Waivers

Based upon the justification contained in Annex G of the Project Paper, and notwithstanding paragraph 3.A. above, I hereby:

(1) Approve a procurement source/origin waiver from AID Geographic Code 941 (Selected Free World) to AID Geographic Code 935 (Special Free World) for the procurement of approximately $110,000 of fuels and lubricants; and,

(2) Certify that exclusion of procurement from Free World Countries other than the Cooperating Country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

Sheldon W. Cole Date: July 15, 1984

Sheldon W. Cole
AID Representative to Malawi

Concurrence: NAIROBI 17206
Peter Bloom, Acting Director, REDSO/ESA.

Clearance:

REDSO/ESA: KHansen, RLA Draft/Phone Date July 10,1984
USAID/Malawi: DGarms, Prog [illegible] Date July 10, 1984

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GRANT PROJECT AGREEMENT

Between the Government of United States of America, acting through the Agency for International Development (AID)

AND

The Government of the Republic of Malawi (Grantee)

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1. Project Title: Improvement of Blantyre-Tete-Harare Road

2. AID Project Number: 690-0234 .12

The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any Annexes attached hereto, and (2) any general agreement between the two governments regarding economic or technical cooperation.

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3. Amount of AID Grant	4. Grantee Contribution to the project Local Currency Equivalent	5. Project Assistance Completion Date
$500,000	$155,000	June 30, 1986

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6. This Agreement consists of this title page, Annex A - Project Description, Annex B - Financial Plan, and Annex C - Standard Provisions

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7. For the Government of the Republic of Malawi

Name: E.C.I Bwanali
Title: Minister of Finance
Date:

8. For the Government of the United States of America

Name: Genta Hawkins Holmes
Title: Charge d' Affaires, a.i.
Date:

9. By: Sheldon W. Cole
Title: AID Representative
Date:

Project No: 690-0234.12
Appropriation: 7211-41037
BPC; GESA-84-21613-KG14
Reservation Control No: G460019
(Ref: HARARE 3600)

Clearances:

USAID/Malawi: Prog: DGarms _____ Date July 10, 1984
Proj: MBaker _____ Date _____

REDSO/ESA:RLA:KHansen Draft/Phone Date 7/10/84

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PROJECT AGREEMENT

Annex A

PROJECT DESCRIPTION

1. Project Title: Improvement of Blantyre-Tete-Harare Road	2. AID Project Number: 690-0234.12

3. This Project consists of:

The Project will make emergency repairs to 80 kilometers of unpaved road on the Blantyre-Tete-Harare road. The improvements are to upgrade the road to a level that will facilitate regional transportation, especially that of emergency maize shipments from Malawi to Zimbabwe and other drought-affected areas in the region, until the new paved road from Lirangwe to Mwanza is completed (early 1987). The improvements will consist of reducing steep grades and sharp curves, removing or covering rock outcroppings, compacting and smoothing road surfaces, and improving drainage. No bituminous surfacing will be done. The work will be executed by the Malawi Ministry of Works and Supplies (MOWS) on a force account basis.

AID will finance materials, temporary labor, equipment rental, and vehicle operating costs, required for the rehabilitation of the road. AID financing will be provided to the GOM on a cost reimbursement basis. Detailed payment procedures will be provided in a subsequent Project Implementation Letter. The GOM will finance all normal maintenance costs for the road for the two year life of project (estimated at MK 130,000), costs of MOWS permanent personnel (estimated at MK 70,000), and any rehabilitation costs that exceed the amount of AID financing.

The GOM Roads Department of the MOWS will be responsible for project implementation, including mobilization of resources, the preparation of implementation plans, progress reports, financial reports, and requests for reimbursement. The AID Regional Engineer (Lusaka) will make periodic site inspections and be available for consultation with the implementation team. The Parties will also hold quarterly implementation meetings, as specified in the Project Paper. Although the life of project is two years, it is anticipated that the majority of the rehabilitation work will be completed by the end of the current dry season, November 1984. The GOM and AID will conduct two evaluations of the project, one mid-term (approximately November 1984) and one at the end of Project, as more fully described in the Project Paper.

4. Special Provisions

A. Goods and services, including ocean shipping, financed by AID under the Project shall have their source and origin in the United States, Malawi or in AID Geographic Code 941, except as AID may otherwise agree in writing. Notwithstanding the above, AID agrees to finance the procurement of Fuels and lubricants having their source and origin in AID Geographic Code 935 in an amount not exceeding U.S.$110,000.

B. Prior to the first disbursement under the Grant or the issuance by AID of documentation pursuant to which disbursement will be made, the GOM will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID, a Project Implementation Plan.

C. The GOM agrees to perform and finance regular maintenance of the road for the two year life of Project.

D. AID agrees that expenses incurred by the GOM prior to the date of this Agreement, beginning April 1, 1984, for the improvement of the road, are eligible for reimbursement by AID under the Grant.

E. The GOM agrees to submit to AID periodic (at not less than quarterly intervals) implementation reports on the Project, including the progress made to date and work plans for the next reporting period.

F. All goods, services and expendable supplies (i.e., fuels, lubricants, spare parts etc.) imported into the Malawi for purposes of carrying out the Project shall be exempted from customs, duties and taxes; if such exemptions are not granted, the GOM agrees to pay such duties, customs and taxes.

Annex B

Summary Financial Plan

Illustrative Project Budget

Budget Line Item	Year 1 (FY84)	Year 2 (FY85)	Planned Total
A.I.D. Contribution:			
Plant and Vehicle Hire	$280,000		$280,000
Fuels and Lubricants	110,000		110,000
Temporary Labor and Allowances	65,000		65,000
Materials and Supplies	45,000		45,000
Sub-Total	$500,000		$500,000
Budget Line Item			
Malawi Government Contribution:			
Permanent supervisory personnel	MK35,000	35,000	70,000 MK
Road maintenance	65,000	65,000	130,000 MK
Sub-Total	MK100,000	100,000	200,000 MK ($155,000)

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PROJECT AGREEMENT

STANDARD PROVISIONS

Annex C

A. Reference to this 'Agreement' means the original Project Agreement as modified by any revisions which have entered into effect. Reference to 'Cooperating Country' means the Government of the Republic of Malawi.

B. (1) AID will make available the amount specified in Block 3 of this Agreement, as necessary for the Project, as may be further described in Annex A.

(2) The Cooperating Country will make available the amount specified in Block 4 of this Agreement as necessary for the Project, as may further be described in Annex A. The Cooperating Country will also make, or arrange to have made, additional contrioutions of property, services, facilities and funds required for carrying out the Project as specified in Annex A.

C. AID and the Cooperating Country may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.

D. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date in block 5, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but AID shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Project Assistance Completion Date or any amended Project Assistance Completion Date specified.

E. The procurement of commodities and services to be financed in whole or in part by AID may (where so required by AID procedures) be undertaken only pursuant to Project Implementation Letters (PILs) or Project Implementation Orders (PIOs) issued by AID.

F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the AID contribution referred to in Block 3 of this Agreement shall be subject to the provisions of AID Regulation 1.

G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIL, title to all property procured through financing by AID pursuant to Block 3 of this Agreement shall be in the Cooperating Country or such public or private agency as it may authorize.

H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through financing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement, shall be refunded to the party providing the funds.

(3) Any interest or other earnings on funds provided by AID to the Cooperating Country under this Agreement will be returned to AID by the Cooperating Country.

I. (1) If AID and any public or private organization furnishing commodities through AID financing for operations hereunder in the Cooperating Country is, under the laws, regulations or administrative procedures of the Cooperating Country, liable for customs, duties and import taxes on commodities imported into the Cooperating Country for purposes of carrying out this Agreement, the Cooperating Country will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the Cooperating Country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with AID, the Cooperating Country or any agency authorized by the Cooperating Country, who are present in the Cooperating Country to provide services which AID has agreed to furnish or finance under this Agreement, are under the laws, regulations or administrative procedures of the Cooperating Country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes on personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the Cooperating Country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the Cooperating Country) or if any firm, not normally resident in the Cooperating Country, is liable for income, receipts, or other taxes on work financed by AID hereunder, the Cooperating Country will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by AID are introduced into the Cooperating Country by AID or any public or private agency for purposes of carrying out obligations of AID hereunder, the Cooperating Country will make such arrangements as may be necessary so that funds shall be convertible into currency of the Cooperating Country at the highest rate which, at the time the conversion is made, is not unlawful in the Cooperating Country.

K. AID shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government.

L. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the Project shall further have the right (1) to examine any property procured through financing by that party under this Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

M. AID and the Cooperating Country shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under paragraph H relating to the use of property or funds shall remain in force after such termination. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside the Cooperating Country, are in a deliverable state and have not been offloaded in ports of entry of the Cooperating Country.

O. To assist in the implementation of the Project, AID, from time to time, may issue PILs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed upon PILs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Cooperating Country agrees, upon request, to execute an assignment to AID of any cause of action which may accrue to the Cooperating Country in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with AID financed in whole or in part out of funds granted by AID under this Agreement.

Q. Unless AID otherwise agrees in writing, transportation by air, financed under the grant, of property or persons will be on carriers holding United States certification, to the extent services by such carriers is available.

R. The Cooperating Country agrees to take appropriate measures to bond all participants trained under the project to ensure their continued employment by the Government in appropriate positions after successful completion of their training.

PROJECT PAPER FACESHEET

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number

DOCUMENT CODE: 3

COUNTRY/ENTITY: Southern Africa Regional

3. PROJECT NUMBER: 690-0234.12

4. BUREAU/OFFICE: USAID/MALAWI 06

5. PROJECT TITLE (maximum 40 characters): IMPROVEMENT OF BLANTYRE-TETE-HARARE RD.

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 12 DD 31 YY 85

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

A. Initial FY 84 B. Quarter 3 C. Final FY 85

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

A. FUNDING SOURCE	FIRST FY 84 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total		500.0	500.0		500.0	500.0
(Grant) ESF	( )	(500.0)	(500.0)	( )	(500.0)	(500.0)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		155.0	155.0		155.0	155.0
Other Donor(s)						
TOTALS		655.0	655.0		655.0	655.0

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ESF	900	821		-0-		500.0		500.0	
(2)									
(3)									
(4)									
TOTALS				0		500.0		500.0	

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

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (Maximum 7 codes of 4 positions each)

A. Code	NUTR	LAB
B. Amount	500	50

13. PROJECT PURPOSE (maximum 480 characters)

To make emergency repairs and spot improvements on the Blantyre-Mwanza road in order to reduce the time and cost of moving goods overland between Blantyre and Harare.

14. SCHEDULED EVALUATIONS

Interim MM 11 YY 84 MM YY Final MM 10 YY 85

15. SOURCE/ORIGIN OF GOODS AND SERVICES

☐ 000 ☒ 941 ☒ Local ☐ Other (Specify)

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

17. APPROVED BY

Signature: Sheldon W. Cole

Title: AID Representative to Malawi

Date Signed MM DD YY

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

MM DD YY

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UNCLASSIFIED

PROJECT PAPER

SOUTHERN AFRICA REGIONAL

IMPROVEMENT OF THE BLANTYRE-TETE-HARARE ROAD

(690-0234)

UNCLASSIFIED

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PP Design Team

Alfred Harding, Project Officer, AFR/PD/SA
Clarence Groceman, Engineer, AID/Zambia
Peter Cook, Transport Economist/Consultant, Louis Berger Int'l

I. Project Rationale and Description

A. Rationale for the Project

The Southern Africa Region, for AID's programatic purposes, is defined to include the majority-rule countries of Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. Angola is also an independent, majority rule nation within this region; however, AID does not have a development program there at the present time.

The recent droughts in the region (with the countries most seriously affected being Mozambique, Zambia, Zimbabwe and Botswana) have had an adverse effect on the ability of many of these countries to produce enough food for domestic consumption. Inadequate maintenance of roads and rail systems within the region, along with continued insurgency and sabotage of these systems within Mozambique, have also combined to severely hamper the movement of essential goods in the region. The widespread deterioration of the various transport systems in the region and the effect this has had on efficiency has created many problems for the six landlocked countries of the region (Botswana, Lesotho, Malawi, Swaziland, Zambia and Zimbabwe). Interim solutions have included the use of southern routing through the RSA and northern routing through Tanzania to the Port of Dar Es Salaam. Because of the transportation congestion and bottlenecks that exist in Mozambique and Tanzania, there is a critical need to re-establish former transport linkages between the landlocked countries in southern Africa and ports in the RSA. The need for re-establishing these linkages has increased because the severe drought situation in several of the countries in region has brought about the need for increasing their food imports.

Despite the severe constraints generated by war and drought there are good reasons to be optimistic about future development trends in the region. In early 1979, the majority-rule nations formed the Southern African Development Coordination Conference (SADCC).[1] Their objectives are to cooperate in solving regional development problems and lessen external dependence. While individual member countries have diverse political and economic systems, they also have common problems which hinder growth and development in their countries and in the region. The SADCC countries have identified three major areas for the initial focus of their regional cooperative efforts: transport, agriculture, and manpower training. Transportation is viewed by all member countries as the most limiting constraint to development in southern Africa. Although southern Africa has a rail and road system which does not require large-scale expansion, the system has capacity and operational constraints and is deteriorating rapidly as a result of war, destruction and limited or ineffective maintenance which, in turn, have been caused by security problems, insufficient and unskilled manpower, budgetary constraints and shortages of spares and equipment.

The additional costs of transporting goods and the time delays which have resulted from the deteriorating state of the region's transport system have been particularly severe impediments to development for the six landlocked countries, resulting in commodity

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[1] Includes the southern African countries of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe and also includes Tanzania.

shortages and severe drains on the meager foreign exchange resources of these countries. Since storage facilities along major regional routes are inadequate, intra-country transport of food and other necessary commodities has also been severely disrupted, and security problems have been further complicated. It is clear to the SADCC countries that cooperation among them is required to determine regional transport priorities of the system.

AID's support of regional efforts in Southern Africa complements existing and planned AID bilateral programs. The improvement of the Blantyre-Mwanza road linking Tete in Mozambique and Harare, Zimbabwe is essential because it will provide Malawi with a temporary but functioning road connecting southern Malawi with Mozambique and Zimbabwe which will facilitate the movement of goods by road between Malawi and Zimbabwe. The assistance provided under this project, therefore complements the current AID-sponsored programs in these countries and also contributes toward helping both countries and the region meet their development objectives by improvement of this vital road link.

B. Project Purpose and Goal

This project contributes to the regional goal of assisting the mojority ruled nations of southern Africa overcome regional transport constraints, which has been identified by SADCC as a serious obstacle to the economic growth and development of the region. As a key regional road link, the Blantyre-Tete-Harare road is highly important to the growth and stability of the region.

The purpose of the project is to make emergency repairs and improvements on the Blantyre-Mwanza existing road in order to reduce time and cost of transporting goods between Blantyre and Harare. As stated earlier, the road between Blantyre and Mwanza is 95 kilometers long, with 15 kilometers of paved road surface between Blantyre and the Chileka Airport, and 80 kilometers of unpaved road surface between Chileka Airport and the town of Mwanza, which is on the Malawi side of the border with Mozambique. The assistance provided under the project will be used to improve sections of the 80 kilometer stretch of unpaved road. This road has recently been open for operation from Blantyre, through Tete, to Harare. With this road link open, it is expected that most of the regional trade between Malawi and Zimbabwe will be transported over this road. The volume of goods to be transported over the road in the next two years is unusually high because of Malawi grain sales to Zimbabwe and because Malawi is shifting a considerable amount of imports to this routing because of cost savings which this road permits when compared with other transit routings. There is an urgent and immediate need to improve this portion of the road which serves as a vital link between southern Malawi, Mozambique and Zimbabwe since the bulk of the work must be done now during the dry season (April-November) to facilitate movements of commercial goods between Malawi and Zimbabwe. Failure to take action to improve the road surface immediately will necessitate postponing the work until the next dry season which will mean more extensive and costly damage to the road during the upcoming rainy season (November-April). The road link is considered to the vital to the shipment of Malawian maize through Mozambique to Zimbabwe in a timely and cost-effective manner.

If spot improvements to the road surface are performed immediately and completed during the current dry season, the loss of foreign exchange to Malawi, and the shortfall in the quantity of maize transported to Zimbabwe will be substantial. It is therefore essential to the economic and social well-being of Malawi and Zimbabwe, respectively, that the urgently needed road improvements be performed and completed before the rainy season begins in November. By the end of this project, and as a result of selected improvements to the 80 kilometer road stretch between Chileka Airport and Mwanza, it is expected that there will be:

--A temporary road surface capable of supporting the anticipated heavy volume of commercial traffic during the current dry season until a new paved road (which is funded and now under construction by the EEC/EDF)is completed in early 1987.

--Reductions in the number of truck accidents along the road and the amounts of time and costs of transportation goods between Malawi and Zimbabwe.

C. Project Elements

The objectives or outputs which are expected from the assistance provided under this project are as follows:

--Potholes will be filled and damaged portions of the existing road surface shoulders will be reshaped and compacted

--Rock outcroppings along various sections of the 80 kilometer stretch of unpaved road from the Malawi border town of Mwanza through the Kirk mountain range to Chileka Airport will be removed from the roadbed and filled.

--The worse sharp curves and steep grades that currently exist along several sections of the unpaved stretch of road will either be eliminated or reduced, and road surface will be compacted and smoothed.

--The road gradient will be reduced to 10% maximum, expect in isolated short length sections.

--The minimum radius of curvature of the road will be increased to 400 meters, expect in isolated cases.

--The cross section of the road will be shaped to eliminate the present trailer "articulation".

--Drainage will be improved.

This project has been designed to respond to the urgent and immediate need for assistance in improving sections of the 80 kilometers of unpaved road surface between the Chileka Airport and the Malawi border post at Mwanza. As stated earlier, it is imperative that the road improvement process begin as soon as possible during the current dry season to facilitate the movement of maize sold by Malawi to Zimbabwe and other drought-affected countries and to accommodate the expected increase in commercial truck traffic between Malawi, Mozambique and Zimbabwe.

The Project funding ($500,000 in FY 84) provided by AID will be used to:

--Rent heavy equipment, such as bulldozers, front-end loaders,tippers, motor patrols,etc.

--Hire temporary labor

--Procure materials and supplies needed for the rehabilitation effort.

It is anticipated that by early CY 1987, the new EEC/EDF financed road from Blantyre to the Mozambique border at Mwanza will be completed.

The GOM will share in the financing of the project. The GOM is expected to finance the normal maintenance of the road. The estimated cost of this road maintenance about MK65,000 per annum. The GOM will also finance the cost of MOWS established personnel to supervise the planned road improvements and maintenance. Finally, the GOM will be responsible for financing any road improvement costs which exceed the amount of funds made available by AID.

The Roads Department in the Ministry of Works will be responsible for implementing the project, and USAID/Malawi, with the assistance of the AID Regional Engineer based in Zambia, will be responsible for monitoring implementation activities. The designated Project Manager for this project is Regional Controller of Works (South) in Blantyre. This office will receive considerable support from the MOWS headquarters in Lilongwe.

The design of the project is consistent with the approach discussed in the PID-like document, which was reviewed and approved by AID/W on May 7, 1984 and the recommendations made during that review.

II. Cost Estimates and Financial Plan

The estimated cost for the road improvement work is MK603,405 for the dry season ending November 1984 and MK201,135 for the season ending November 1985. AID financing will be used to make the necessary improvements up to the maximum amount of financing authorized by AID. The Government of Malawi contribution to the Project consists of permanent supervisory personnel employed on the Project to make the needed improvements and normal road maintenance financed by the GOM, and any improvement work executed on the road above and beyond the amount of financing provided by A.I.D.

Toward the end of 1986, most of the EEC/EDF financed new road to the Mozambique border should be opened to traffic. The anticipated opening of the new road should preclude the need for any major road improvement work on the old road in calendar year 1986. Upon completion of construction of the road, the existing road (M2) will become a district road and will be used primarily for local traffic.

The estimated cost of the road improvement work was made by the Roads Department in Lilongwe. Labor, material and equipment estimates were prepared by the implementing officials of the Regional Controller of Works Office in Blantyre. The AID engineer has made an on-site inspection of the road, has reviewed the time and cost estimates for the proposed work and has found them to be reasonable. (See Table 1).

Table 1 Illustrative Project Budget

Road Improvement and Maintenance Budget

Budget Line Item	Estimated Cost
A.I.D. Contribution:	
Plant and Vehicle Hire	$280,000
Fuels and Lubricants	$110,000
Temporary Labor and Allowances	$65,000
Materials and Supplies	$45,000
Subtotal	$500,000
Government of Malawi Contribution:	
Established Supervisory Personnel	MK70,000
Road maintenance and minor repair	Mk130,000
Subtotal	MK200,000 ($155,000)
Total Estimated Project Cost	$655,000 or MK850,000

III. Implementation Plan

A. Role of AID

AID will provide a grant in FY84 of $500,000 to the GOM for implementation of the project. USAID/Malawi, with the assistance of the AID engineer based in Zambia, will review the work plans for improving sections of the 80 kilometer unpaved road from the Chileka Airport through Mwanza to the Malawi-Mozambique border with the GOM's Roads Department prior to commencing work. The AID Engineer will periodically conduct on-site inspections to survey completed work as well as work in progress (see Section IV, Monitoring Plan). USAID Malawi will receive monthly progress reports, expenditure reports and requests for reimbursement. These reports will be reviewed by the appropriate USAID staff and reimbursement will be made on the basis of requests approved by USAID/Malawi. The USAID/Malawi projects office will advise and consult with the project manager to insure a clear and mutual understanding of reimbursement procedures.

B. Role of GOM

Operational level responsibility for implementing the project will rest with the Regional Controller of Works (South). This office will be responsible for the preparation of work plans, mobilizing

resources, carrying out the road improvement and maintenance works and preparing monthly progress and expenditure reports. The Regional Controller of Works with the assistance of MOWS headquarters is expected to prepare an implementation plan which will govern the work execution and utilization of Project resources. Once approved, this implementation plan is expected to be the principal controlling document for the work financed with Project resources. The Project implementation plan will be supplemented with monthly reports and plans which specify the work accomplished over the past month and define the work intended to be accomplished during the upcoming month. These monthly reporting intervals are consistent with internal management practices of the MOWS and will be modified to provide the monitoring and financial management requirements of this project. The Regional Controller of Works (South) will be responsible for establishing three construction camps along the road: One near the beginning of the unpaved road (at the Chileka Airport), one at the 40 kilometer point along the road (near the Shire River) and one towards the end of the road (near Mwanza). Each camp will house its construction workers and equipment and will serve as the operational base for the road improvement work to be done in their assigned area. A road foreman will be in charge of each base camp, and the overall operation will be supervised by the Regional Controller of Works (South).

Equipment will be hired at a pre-determined daily rate from the Plant and Vehicle Hire Organization, the only Malawian entity which has the necessary construction equipment for hire. The daily hire rate includes the cost of equipment and maintenance. Operators and POL will be procured by MOWS. Fill and road surfacing material will be obtained from borrow pits near the roadway. Other materials such as blasting powder, caps, cement, etc. will be purchased locally by the Roads Department. Ample quantities of all material for the proposed work are readily available in Malawi. No bituminous surfacing of the road will be performed under this project.

Finally, the road foreman will hire unskilled labor from villages near the work areas. During the dry season, this labor is in ample supply and readily available.

The Roads Department began expending funds to initiate improvements to the road in April, 1984, the beginning of the dry season. The costs for the work performed between April, 1984 and mid-June, 1984 (when it is anticipated the Project Agreement will be signed) have been included in the estimated cost of the road improvement work and will be reimbursed to the GOM as part of this grant. The GOM may however count expenditures made to improve and maintain the road after November 1, 1983 which are not reimbursed by AID as part of their contribution to the project.

The Regional Controller of Works (South) will use standard operating procedures of the Government of Malawi in renting equipment and vehicles from PVHO and for procuring fuel and lubricants. AID agrees to reimburse the purchase price of materials and supplies used in making improvements which are obtained from the MOWS existing stocks or from the Government of Malawi's Central Stores. The Project Manager can procure supplies and materials in a single purchase not exceeding MK5000 without the prior consultation of AID. For purchases over that amount, consultation with USAID/Malawi is required. The Project Manager can re-allocate funds between line items in the budget of the approved project implementation plan of up to 20% without the prior approval of USAID/Malawi so long as the maximum amount of AID funding is not exceeded. Changes in budget plan exceeding twenty percent of any single line item will be subject to the approved by USAID/Malawi. Changes in output targets as defined in the approved implementation plan must be approved by MOWS headquarters; prior USAID/Malawi approval is not required unless, in the judgment of MOWS, such changes represent a major modification to the project implementation plan.

Based on the approved implementation plan, the project manager will prepare monthly implementation plans. In the preparation of these plans, particular attention will be given to the anticipated utilization of plant and vehicle rentals as these items are major cost elements of the project. It is suggested that the project manager review rental

plans on a weekly basis and consult MOWS headquarters if there is a substantial deviation in the intended use of rented equipment from the monthly work plan.

C. Reimbursement Procedures:

The Regional Controller of Works (South) will submit monthly reports indicating physical progress made over the past month toward achieving the specified output contained in the implementation plan and reporting on project resources disbursed during the month. It is advisable that the monthly reporting format provide some indication of accrued accounts payable especially for equipment and plant hire so as to avoid cost overruns if billing is delayed from PVHO. The expenditure reporting format should follow the basic budget categories defined in the project implementation plan. If fuels and petroleum products are purchased on a duty free basis, the reporting format may simply report these expenditures together under a single line item. If, however, the projects are not purchased duty-free, these expenditures must be broken down by major products (i.e. diesel, petrol oil, brake fluid etc.) This requirement will facilitate calculation of duty to be deducted by AID prior to reimbursing the GOM. The monthly reports will be submitted by MOWS to MOF for forwarding to USAID/Malawi with a completed Form 1034 requesting reimbursement. Once received, USAID will review and process payment in approximately 45 days.

D. Illustrative Implementation Schedule

The actions required and the estimated dates are as follows:

DATE	ACTION	RESPONSIBLE ORGANIZATION
6/1/84	REDSO/Concurrence provided	REDSO/ESA
6/4/84	PP Authorized/approved	USAID/Malawi
6/8/84	Project Agreement signed	USAID/Malawi, GOM
6/11/84	Project Work Plan submitted forUSAID/approval	MOWS
6/11/84	AID funds mobilized and reimbursement for expenses incurred from April 1 to date submitted to USAID for reimbursing	USAID/Malawi,
6/12/84	Work Plans Approved	AID Engineer
6/15/84	First Quarterly Project Implementation held	MOF/MOWS
6/13/84	Improvement Work Commences	GOM's Roads Department
11/15/84	Mid-Term Evaluation	
11/30/84	Improvement Work Stop due to Rainy Season	GOM's Roads Department
4/1/85	Improvement Work Begins Again	GOM's Roads Department
10/31/85	Final Evaluation	REDSO/ESA, RFMC

IV. MONITORING PLAN

The designated project manager will prepare monthly implementation reports. These reports will be submitted by the MOWS to the Ministry of Finance and USAID and will serve as the basis for making reimbursments to the GOM for work executed. USAID/Malawi will review these reports and make on-site inspections of the road improvement work. These inspections reports will include at least the following:

A. Assessment of progress to date

B. Any problems encountered

C. Recommended solutions to any identified problems

D. A general assessment of the workmanship and adherence to the work plan and schedule

E. Comparison of the project expenditures with physical progress of the work and any related recommendations

F. General or specified recommendations

A quarterly project review meeting will be convened by the Ministry of Finance or, at the request of USAID, the MOWS or itself to periodically review the project implementation. The purpose of the quarterly project implementation meeting will be (a) to assess implementation progress, (b) the suitability of implementation processes and (c) agree upon any modification required to improve project implementation. The first quarterly project implementation meeting will be held shortly after the project agreement is signed. The agenda for this meeting will include a review of implementation plans and the implementation checklist to insure a sound understanding of the project by the cooperating organizations. Representation for these meetings is expected from the MOWS, MOTC, OPC (Development Division), MOF and USAID/Malawi.

V. Project Analyses

A. Technical Analysis

The existing M2 road from Blantyre through Mwanza to the Mozambique border is 95 km long. 15 km of the road from Blantyre to the Chileka Airport is a paved, all weather road. The remaining 80 km is unpaved and has numerous rock outcroppings on the road surface, very steep grades (up to 12%) and sharp curves in isolated areas. At the border, the road continues through Mozambique, via Tete. to Zimbabwe and ties into the Zimbabwe road network. The truckers and GOM Ministry officials indicate that the road in Mozambique is all weather and in good physical shape. The main road network in Zimbabwe is also very good.

The EEF/EDF is financing the construction of a new road from Lirangwe (40 km from Blantyre) through Mwanza to the Mozambique border. This road will be on a new alignment except for about 15 km through Mwanza to the border. Over the 15 km stretch, the existing alignment will generally be used. The EEC/EDF-financed road will be Class I in its entirety, i.e., all weather and having a double bituminous surface treatment (DBST). Construction of the new road started in March, 1984 and is scheduled for completion in early 1987. The new road will have less than 6% grades except for the last 15 km near the border where there will be three sections about 400 meters long having up to 8.5% grades. The higher sloped grades will have passing lanes.

This proposed project will finance spot improvement of the most critical sections of the M2 road from Chileka through Mwanza to the Mozambique border. Improvements will consist of reducing the grades to a maximum of 10%, increasing curvature radius to about 400 meters and removing rock outcroppings on the roadbed except, in isolated special sections, where improvement work would not be economically practical. In the special sections, however, sufficient road improvements will be made to permit trucks to negotiate the steep grades and sharp curves by slow, careful driving.

A limited amount of new pipe and concrete culverts will be installed. Existing drainage structures will be cleaned out and repaired where necessary. The bulk of the drainage rehabilitation work will be accomplished by excavating miter drains to direct water away from the roadway. Riprap or rock rubble will be placed on steep mitre drains to reduce scouring. The bridges over the Shire river and large streams are adequate for the present purpose and will not be improved.

Large rock outcropping on the road surface will be blasted, medium size rocks will be jackhammered and small rocks will be removed by crawler tractors. The removal of outcroppings will tend to give a more uniform gradient and will eliminate extreme short length gradients over the exposed smooth rock. In addition, the removal of rocks from the road surface will eliminate the "articulation" of the trailers on the

tractor's fifth wheel. (This "articulation" has caused trailers to uncouple from their tractors with a resultant loss of commodities and expensive equipment damage.)

The Malawi Roads Department has satisfactorily performed force account work similar to that proposed to be done under this project. The Department has the qualified personnel to both plan and execute the proposed work. Heavy equipment will be rented locally to perform the required work. The required equipment is available in required numbers and is well maintained. Temporary labor will also be employed to perform manual labor tasks. This unskilled labor will be hired by the road foreman from villages near the work areas. This labor is also ample and readily available.

The Roads Department has made an investigation of the road's conditions and has identified the critical areas where improvements will be made. This identification was made in concert with the truckers, by analysis of accidents and through their on-site survey with representatives from AID. The Roads Department has estimated the cost for performing the work. The AID Engineer has also made an independent estimate of the cost of the proposed work which is shown below. All figures, except where otherwise noted, are in Malawian Kwacha:

Expected Outputs* of the Project		Cost
(1) Mobilization. This item includes: (a) GOM expenditures for April and May, 1984 (b) the camp setups and (c) movement of equipment to the camps		75,000
(2) Clearing the widened sections where curves are to be eased. (5 km)		
D8 Cat : 3 days @ 1,060	3,180	
15 Laborers : 4 days @ 3	180	
Tipper : 1 say @ 300	300	
	3,660	
Supervision : 5%	180	
Total/kilometer	3,840	
x 5 km		19,200
(3) Machine work on eased curves after clearing. (5 km)		
D8 Cat : 6 days @ 1,060	6,360	
Grader : 4 days @ 460	1,840	
40 Laborers : 10 days @ 3	1,200	
Tipper : 5 days @ 300	1,500	
Roller : 3 days @ 300	900	
Compressor and drill equipment 4 days @ 125	500	
Misc. materials	250	
	12,550	
Supervision : 5%	650	
Total/Kilometer	13,200	
x 5 km		66,000
(4) Blasting, jackhammering and ripping of rock outcrops and miter drains (10 km)		
D8 Cat : 6 days @ 1,060	6,360	
Grader : 4 days @ 460	1,840	
Tipper : 4 days @ 300	1,200	
2 Compressors : 9 days @ 125	2,250	

Note: The expected outputs described below are illustrative and represent our best estimates of the road improvement work which could be completed. However, the project implementation plan prepared by MOWS and approved by USAID will be regarded as the controlling document in terms of defining the expected output of the Project.

30 Laborers: 10 days @ 3	900	
Misc. Materials	500	
	13,700	
Supervision : 5%	650	
Total /km	13,700	
x 10 km		137,000

(5) Grading, formation and gravelling of low bad spots (24 km)

D8 Cat : 4 days @ 1,060	4,240	
2 End Loaders : 4 days # 355	2,840	
3 Tippers : 8 days @ 300	7,200	
Grader : 2 days @ 460	920	
Compressor : 3 days @ 125	375	
30 Laborers: 10 days @ 3	900	
Misc. Materials	500	
	16,975	
Supervision : 5%	850	
Total/km	17,825	
x 24 km		427,800

(6) Improvement of miter and side drains (29 km).

Grader : 1 day @ 460	460	
20 Laborers : 5 days @ 3	300	
Misc. Materials	100	
	860	
Supervision : 5%	40	
Total/km	900	
x 29 km		26,100

(7) Construction of culverts and headwalls (16 each)

Compressor : 6 days @ 125	750	
10 Laborers: 6 days @ 3	180	
4 Carpenters : 6 days @ 6	144	
Pipe 10 lin. meter @ 40	400	
Cement, resteel, forms, etc	750	
Tipper: 2 days @ 300	900	
End loader: 1 day @ 355	355	
	3,179	
Supervision ; 5% X 16	161	
	3,340	53,440

Total Estimated Cost:	804,540
In Dollars:	$596,003
Rounded to:	$600,000

Cost estimates provided on the previous page per unit of work to be completed under the project are based on current PVHO rental prices including maintenance,operations and depreciation costs. POL costs have estimated on a duty-free basis.

No adjustment has been made for inflation in 198!

75% of the work is scheduled to be accomplished by November, 1984; the remaining 25% by November, 1985. The bulk of the 1985 work will be done between April and July 1985.

B. Economic Analysis

Based on discussions held with the Ministry of Transport and Communications (MOTC), the trucking industry in Malawi and on projections of transport volumes for this road over the next three years, the GOM and USAID/Malawi believe the economic rate of return on the $600,000 (or MK804,540) investment to improve the road will be quite high.

As stated in the PID-like document approved by AID/W, in general, Malawi has very few difficulties in routing its international trade in and out of RSA to Harare by rail. The road distance from Harare to Blantyre via Tete is 600 km as compared to 1590 km from Harare to Blantyre via Lusaka and Lilongwe. The estimated normal year import/export traffic which will be transported over the improved 80 km road over the next three years is as follows:

Export/Import Traffic Volumes

	Exports[1]	Imports	Total
1984	265,000MT	140,000MT	405,000MT
1985	115,000MT	140,000MT	255,000MT
1986	115,000MT	140,000MT	255,000MT

[1] Exports include grain exports from Malawi to Zimbabwe, Botswana, etc. in 1984.

The proposed road rehabilitation project will have several types of benefits:

1. Support of the Malawi economy during its immediate transportation crisis. The country of Malawi is currently under tremendous pressure to improve its access to international sources and markets due to the virtual closing of its main link to the outside world: the Beira Railroad, due to insurgent activity. This has created major problems for the economy as both imports and exports are not able to reach their destinations. This has particularly been a problem for fertilizer sugar, tea, tobacco and maize. Availability of international transport trucks is expected to increase as the delays and transit time required by the road in its existing condition are decreased, and the loss of vehicles and vehicle downtime for repairs are reduced.

2. Reduction in vehicle operating costs and related transportation tariffs along the road. There are extremely high vehicle operating costs along the road in its present condition, which have justified the project for construction of a new road. These high operating costs are an important contributor to the high transportation tariffs that are presently paid by the importers of goods (particularly fuel and fertilizers), and also an impediment to exports of agricultural produce

(e.g. maize, tea, tobacco). These high tariff rates fall upon the agricultural producers in Malawi, and especially affect the smallholder who is more susceptible to this price-cost squeeze than the larger producers.

3. Reduction in accidents and loss of cargo at dangerous points along the road. There are many situations along the road where sight distance is limited and curves and hills are combined. In these situations there is a high probability of collision if two vehicles are approaching from opposite directions. In addition the placement of rock outcroppings along the road are such that trailers are jarred loose from their fastenings with subsequent loss of equipment and cargo.

4. Facilitation of maize exports to aid drought relief in neighboring countries. There are presently drought relief shipments being sent both to Mozambique and Zimbabwe composed of maize which is presently in surplus in Malawi. The road improvement will facilitate these shipments, which are now constrained by lack of transport vehicles as well as by high costs.

The benefits described under item 2 have been quantified in the form of a benefit-cost ratio for the proposed project. Essentially the vehicle user cost savings for the vehicles which will use the improved road have been calculated by subtracting the costs after the project is carried out from the existing costs for vehicle owners. This represents reduction of 32% in vehicle operating costs over this road

segment, (see Table 2) or a reduction of 13% in total trip costs from Blantyre to Harare (see Table 1). This cost reduction is expected to result in a 7% reduction in transportation costs of critical imports and a 13% tariff reduction for Harare imports or exports for Malawi.

The total rehabilitation costs and the maintenance costs for the road with and without the project were also calculated as shown in Table 2. The resulting benefit-cost ratio for the project is 3.17.

As expected for a road rehabilitation project on a low quality road with major truck traffic, the project is feasible, despite its short three-year life. This project would show up as even more feasible it the other types of benefits were taken into account in the benefit-cost calculation.

The distribution of benefits of this project are regional in nature as the direct beneficiaries of the project will be transporters who operate trucks over this road. These transporters are a combination of Zimbabwean (55%), Malawian (40%) and South African (5%). There is, however, a reasonably reliable mechanism for the transfer of these benefits to the consumers in the form of MITCO which is the major freight forwarder for Malawian goods. This partially government owned organization negotiates rates with transporters for delivery of goods for Malawi parastatal organizations such as ADMARC, which deals with smallholder farmers. MITCO management has said it will take the road improvement into account in its negotiations for future freight rates. Other freight forwarders and shippers are likely to follow this example.

Although this road will be replaced in three years by the new road, it serves a significant short term economic purpose that is complementary to the efforts of other donors to aid Malawi during the present transportation crisis. The economic benefits of the project will probably be realized by a crossection of the Malawi population in the form of lower prices for imported goods and more exports from the agricultural sector.

Table 1

Blantyre- Mwanza Road Rehabilitation

Expected Transport Cost Savings

1.	Heavy Goods Vehicles User Cost Savings/Trip	K 90.40
2.	Present User Costs/Trip (Blantyre-Mwanza section only)	K272.00
3.	Percent savings	33%
4.	1983-4 typical tariffs Maize Exports to Zimbabwe Fertilizer Imports from Durban via Harare	 K 70/ton K165/ton
5.	Expected Reduction in Tariffs Maize Exports to Zimbabwe (13%) Fertilizer Imports Via Durban (7%)	 K 9/ton K 12/ton

Source: Table 2 and Louis Berger International Inc. Transport Sector Study for Malawi, 1983. (See Annex F for excerpts of this report)

Table 2

Blantyre-Mwanza Road Rehabilitation

Economic Benefit-Cost Analysis

A. Vehicle User Cost Savings (Kwacha)

Weighted Existing Savings	Vehicle Type	User Cost/Km *After Rehab		% Traffic **Savings	
1.	Car/Van/Landrover	55	.726	.487	.239	.131
2.	Smalltruck	15	.909	.663	.246	.037
3.	Bus	6	1.930	1.251	.679	.041
4.	Large Trucks	24	3.408	2.279	1.129	.271
	Total	100%	Weighted Average Savings per vehicle - Km			.480

B. Expected Traffic (AADT)

1984	1985	1986
94	102	110

C. Annual Benefits (AxBx365X80 Km) (000K) 660 1430 1540
(1/2 benefits in 1984 rehab. year)

D. Rehabilitation Costs 1.021,000K (650,000 US$)

E. Maintenance Costs*/Year with or without projects = 60,000K

F. Benefit-Cost Analysis (000K)

	Cost Rehab.	Maint.	Total	Discon Cost	Total Benefits	Discon Benefits(10%)
1984	1,021		1,021	1,021	660	660
1985					1,430	1,300
1986					1,540	1,273
Total	1,021		1,021	1,021	3,630	3,233

$$B/C = \frac{\text{Discounted benefits}}{\text{Discounted Costs}} = 3.17$$

Source: Updated Costs from the Hoff and Overgaard & Blantyre-Mwanza Road Feasibility Study, 1984

C. Social Soundness Analysis

The beneficiaries from the road improvement work to be performed under this project include:

-- The people of Malawi and Zimbabwe;

-- The commercial truckers from Malawi and Zimbabwe who traverse the road; and,

-- The temporary workers employed to provide unskilled labor for the road improvement work.

The people of Malawi will benefit from the project since improvement of the road will facilitate movement of essential commodities, such as coal, petrol, fertilizer and other items consumed by Malawi manufacturing industries and farms. These items must be imported into Malawi from the RSA, Zimbabwe and Mozambique, and the improved road will permit these items to be brought in by truck with minimum delays. The people of Zimbabwe will also benefit from the project since the road improvements will allow faster movement of agricultural products, mainly Malawian maize, to the drought-stricken areas of Zimbabwe, thus providing a dependable supply of food to people in these areas.

The immediate beneficiaries of the project is the road haulage industry which is or will operate trucks on this road. As the improvements in the road will substantially decrease their costs, there is little question of the social desirability of the proposed project.

Other direct beneficiaries of the project are the temporary workers to be employed as construction workers. Improving the road will require an estimated 1200 mandays temporary labor. This labor force will largely be hired from rural villages situated along the existing road. The planned road improvements have been scheduled for execution during the dry season. The corresponds to slack employment periods for most rural villages and they readily accept temporary off-farm employment. From past experience in road construction and maintenance operations, there are no foreseeable problems in obtaining adequate temporary labor. The new paved road which is under construction follows a different alignment which is between 20 and 40 kilometers away from the existing road. Thus, there is an adequate supply of labor for both projects.

Secondary beneficiaries of the project include a large portion of the populations of Zimbabwe and Malawi. Drought conditions within Zimbabwe have created serious food deficits and Zimbabwe is currently receiving large amounts of imported maize. Zimbabweans normally prefer white maize rather than the commonly imported yellow maize. To facilitate acceptance of the imported yellow maize, the GOZ intends to mix white maize purchased from Malawi with yellow maize imports. As the road improvements are expected]ected to facilitate the movement of while maize into Zimbabwe, the project will enhance the acceptability of donor grain import programs in Zimbabwe in addition to the nutrient value of the imported maize itself. For Malawi, a major commodity which will transit the road is fertilizer. Use of the Blantyre-Mwanza road will reduce the transport costs for the fertilizer by about one half as opposed to alternative routes through Zambia. Savings of this magnitude are critical for smallholders and for the foreign exchange position of Malawi.

VI Conditions and Convenants and Negotiation Status

Conditions and convenants applicable to this project are intended to insure sound and efficient project implementation, insure that the road is maintained properly and to clearly express the limited AID funding which is available for use by the project. The recommended conditions and covenants for the project are as follows.

Prior to the initial disbursement of AID funds to reimburse the GOM for expenditures incurred in making road improvements, the GOM will submit a project implementation plan in form and content acceptable to AID.

The Government of Malawi covenants to assume the responsibility of financing regular maintenance of the road over the two year life of the project. The estimated amount of funding required for this normal road maintenance is estimated to be MK145,000.

These conditions and covenants have been discussed with the Government of Malawi and are acceptable.

VII Evaluation Arrangements

The project will be evaluated in November, 1984 to determine progress which has been achieved in making the required improvements to the road. A team of individuals representing the Ministry of Works, the Ministry of Transport and the Malawian trucking industry will survey the improvements made on the road, review work plans for the remaining work to be completed and recommend any changes for which the need may be evident. USAID/Malawi's regional engineer will participate in this evaluation as his schedule permits.

Toward the end of the project, a final evaluation of the improvements made on the road will be made. A REDSO/ESA project officer, an auditor from RFMC and a REDSO/ESA engineer will perform the final evaluation. The evaluation team will assess the objectives reached, the implementation processes used and their adequacy and the technical quality of work. This final evaluation is expected to commence in October 1985.

ANNEX A

RESPONSE BY:

DATE OF ACTION:

FILE:

UNCLAS SECTION 01 OF 02 STATE 133874

AIDAC, NAIROBI FOR REDSO

E.O. 12356: N/A
TAGS:
SUBJECT: MOVEMENT OF GRAIN FROM MALAWI TO ZIMBABWE (BLANTYRE-MWANZA ROAD)
REFERENCES: (A) LILONGWE 1323, (B) HARARE 02360, (C) NAIROBI 12832

1. ECPR MET MAY 3 TO DISCUSS PROJECT PROPOSAL OUTLINED IN REF A. DECISION WAS MADE AT OUTSET THAT THIS IS WORTHY IDEA TO WHICH AID SHOULD BE RESPONSIVE. BALANCE OF MEETING WAS DEVOTED TO DISCUSSION OF OPTIMUM MEANS OF EXECUTION WITHIN REQUIRED TIMEFRAME. ECPR CONCLUSIONS ARE OUTLINED BELOW, ALONG WITH GUIDANCE FOR AID/MALAWI AND REDSO ACTION.

2. PROPOSAL AS DESCRIBED IN REF A IS ACCEPTED BY ECPR AS PID EQUIVALENT. UNDER DOA 140R, AID/MALAWI IS AUTHORIZED TO COMPLETE NECESSARY DESIGN WORK ASAP AND, SUBJECT TO REDSO CONCURRENCE, TO AUTHORIZE PROJECT OF UP TO DOLS. 500,000 FOR PURPOSES OF REHABILITATING BLANTYRE-MWANZA ROAD TO A STANDARD SUFFICIENT TO TRANSPORT ESTIMATED REQUIREMENT OF GRAIN FROM MALAWI TO ZIMBABWE OVER NEXT 12-18 MONTHS.

3. MINIMUM ENGINEERING REQUIREMENTS FOR PP SHOULD COVER:

--- (A) ESTABLISHING APPROPRIATE STANDARDS FOR UPGRADING ROAD, SUCH AS DESIGN CROSS-SECTION, INCLUDING MINIMUM RADII OF CURVATURE, MAXIMUM GRADES AND MINIMUM DRAINAGE STRUCTURES;

--- (B) UPDATED COST ESTIMATE USING MOWS FORCE ACCOUNT;

--- (C) EVIDENCE OF ADEQUATE PLANNING BY MOWS, E.G. ESTIMATES OF QUANTITIES OF MATERIAL TO BE MOVED, ALIGNMENT CHANGES, EQUIPMENT MIX AND QUANTITIES, LOCATION OF WORK CAMPS, ETC.;

--- (D) STATEMENT ON AVAILABILITY OF APPROPRIATE EQUIPMENT IN SUITABLE CONDITION;

--- (E) PAYMENT PROCEDURES: DIRECT COST REIMBURSEMENT IS RECOMMENDED AS MORE APPROPRIATE THAN FIXED AMOUNT REIMBURSEMENT IN THIS TIMEFRAME.

--- (F) DETERMINATION THAT FUNDS ALLOCATED FOR THE PROJECT ARE SUFFICIENT TO BRING ROAD UP TO STANDARD NEEDED TO ACCOMPLISH THE STATED PROJECT PURPOSE.

4. REALISTIC STATEMENT OF PROJECT PURPOSE IS ESSENTIAL. OBJECTIVE IS NOT TO REBUILD ROAD TO PERMANENT UPGRADED STANDARDS, BUT ONLY TO TEMPORARY STANDARDS PERMITTING GRAIN TO BE RELIABLY AND REGULARLY TRANSPORTED TO ZIMBABWE OVER NEXT 12-18 MONTHS. OUR UNDERSTANDING IS THAT AID FUNDING OF UP TO DOLS. 500,000 WILL NOT INCLUDE MAINTENANCE AFTER UPGRADING, WHICH WILL BE GOM RESPONSIBILITY AND SHOULD BE ADDRESSED IN PP AND GRANT AGREEMENT. GA SHOULD ALSO INCLUDE MISSION REQUIREMENTS FOR PROGRESS REPORTING FROM MOWS DURING IMPLEMENTATION.

58

5. AS THIS IS SPECIAL FAST TRACK PROJECT AIMED AT MEETING EMERGENCY CONDITION, MISSION AND REDSO MAY EXERCISE DISCRETION REGARDING SUPPORTING ANALYSIS NEEDED IN PROJECT PAPER. PP MAY BE ABBREVIATED AND ANALYSIS LIMITED TO WHAT IS NECESSARY TO PROVIDE JUSTIFICATION FOR WORK TO BE DONE UNDER PREVAILING EMERGENCY CIRCUMSTANCES, NOTING THAT PROJECT IS MOTIVATED LARGELY BY HUMANITARIAN CONSIDERATIONS. SEE HB 3, CHAPTER 4, SECTION 4B2 FOR GUIDANCE.

6. IN ECPR'S JUDGMENT, THIS REDUCED-REQUIREMENT PP NEED NOT INVOLVE EXTERNAL DESIGN OFFICER OR ECONOMIST, SINCE MAIN NEED FOR DATA NOT ALREADY IN PID-LIKE STATEMENT (REF. A) LIES IN ENGINEERING AREA. WE BELIEVE AID/MALAWI'S PDO BAKER AND REGIONAL ENGINEER GROCEMAN CAN COMPLETE PP WITHOUT OUTSIDE STAFF RESOURCES. FOR EXAMPLE, IT IS ECPR'S VIEW THAT IN VIEW OF SPECIAL CIRCUMSTANCES, ECONOMIC RATIONALE PROVIDED IN REF. A SHOULD SUFFICE, WITH APPROPRIATE UPDATING BASED ON REVISED PROJECT BUDGET.

7. SOURCE OF ESF FUNDING WILL BE SOUTHERN AFRICA REGIONAL PROGRAM, IN ACCORDANCE WITH SUGGESTION BY RDO/HARARE IN REF B. CN IS REQUIRED AND UNDER PREPARATION IN AFR.

8. SINCE MALAWI IS CURRENTLY UNDER 620 Q, OBLIGATION CANNOT TAKE PLACE UNTIL EITHER A WAIVER IS APPROVED BY THE SECRETARY OF STATE OR EXECUTION OF THE U.S-MALAWIAN BILATERAL DEBT RESCHEDULING AGREEMENT IS REPORTED TO CONGRESS AND A 30 DAY WAITING PERIOD HAS ELAPSED. WE ARE EXPLORING BOTH OPTIONS, WITH A VIEW TO DETERMINING WHICH ONE IS FASTER AND MORE APPROPRIATE.

9. REF A (PARA 1) NOTES THAT GOM (MOWS) IS PREPARED TO START REPAIR WORK ON COST REIMBURSEMENT BASIS AS SOON AS FIRM COMMITMENT IS RECEIVED FROM A DONOR. TO AVOID PROBLEM OF RETROACTIVE FUNDING, GA SHOULD INDICATE SPECIFICALLY THE EFFECTIVE DATE AFTER WHICH GOM COSTS ON ROAD CAN BE REIMBURSED. THIS EFFECTIVE DATE CAN PRE-DATE GA EXECUTION, BUT MAY NOT PRE-DATE BEGINNING OF CURRENT FISCAL YEAR. SHULTZ
BT
#3674

TO RUEHLG/AMEMBASSY LILONGWE 7237
INFO RUEHC/SECSTATE WASHDC 8800
BT
UNCLAS NAIROBI 17206

RESPONSE BY: Baker

DATE OF ACTION:

FILE:

AIDAC

E.O. 12356: N/A
SUBJECT: MALAWI - SOUTHERN AFRICA REGIONAL IMPROVEMENT OF BLANTYRE - TETE - HARARE ROAD

1. REDSO/ESA DIRECTOR CONCURS IN SUBJECT PROJECT. FOLLOWING COMMENTS, DEVELOPED AT PROJECT REVIEW MEETING ON JUNE 3RD, ARE OFFERED FOR YOUR CONSIDERATION IN FINALIZING PROJECT PAPER AND IN POSSIBLE DISCUSSIONS WITH GOM.

2. WITH RESPECT TO ACTION MEMORANDUM IT WAS NOTED THAT LANGUAGE ON PAGE 4 SHOULD NOTE THAT PERIOD FOR CONGRESSIONAL NOTIFICATION HAS EXPIRED AND CITE REFERENCE NUMBER OF CABLE FROM WASHINGTON DOCUMENTING THIS FACT. ACTION MEMORANDUM SHOULD ALSO NOTE THAT WASHINGTON HAS CONCURRED IN INITIAL ENVIRONMENTAL EVALUATION AND CITE CABLE (STATE 162203) TO THIS EFFECT. ACTION MEMORANDUM SHOULD ALSO CITE A CABLE NUMBER FROM AID/W INDICATING THAT THE 30 DAY CONGRESSIONAL NOTIFICATION OF THE DEBT RESCHEDULING AGREEMENT HAS EXPIRED AND THEREFORE THE PROHIBITION OF ASSISTANCE TO MALAWI UNDER FAA 620 Q NO LONGER APPLIES.

3. PROJECT COMMITTEE NOTED THAT USE OF BOTH KWACHA AND DOLLARS THROUGHOUT THE PAPER LED TO SOME CONFUSION IN UNDERSTANDING VARIOUS COSTS AND TOTALS. THE PAPER SHOULD BE CLEAR IN THE DELINEATION OF CURRENCY AND BOTH CURRENCIES SHOULD BE USED IF NECESSARY WHEN POSSIBLE.

4. FIRST PARAGRAPH OF PAGE 14 IS CONFUSING REBARDING MONTHLY IMPLEMENTATION REPORTS AND QUARTERLY INSPECTION REPORTS. WAS LAST SENTENCE INTENDED TO REFER TO MONTHLY RATHER THAN QUARTERLY REPORTS? (COMMITTEE ALSO BELIEVES THAT COPIES OF ALL IMPLEMENTATION REPORTS SHOULD BE SENT TO RDO/HARARE). FYI, PROJECT COMMITTEE BELIEVES THAT QUARTERLY INSPECTION REPORTS WOULD BE TOO INFREQUENT.

5. REGARDING SECOND PARAGRAPH OF PAGE 12, PROJECT COMMITTEE QUESTIONED THE USAID INVOLVEMENT IN PROCUREMENT TO THE DEGREE CALLED FOR BY THE TEXT, PARTICULARLY GIVEN KNOWN COMPETENCE OF MOWS AND NEED FOR QUICK DISBURSEMENT REQUIRED BY THIS PROJECT.

6. PURPOSE OF PROJECT, GIVEN ON PAGE FOUR OF TEXT SHOULD BE AMENDED TO READ "THE PURPOSE OF THE PROJECT IS TO MAKE EMERGENCY REPAIRS TO REDUCE THE TIME AND COST...". PURPOSE ON FACE SHEET SHOULD ALSO BE SO AMENDED. FACE SHEET SHOULD ALSO INCLUDE HOST COUNTRY CONTRIBUTION WITH THE TOTALS ADJUSTED ACCORDINGLY.

7. PROJECT COMMITTEE ALSO RAISED A NUMBER OF ENGINEERING/TECHNICAL ISSUES WHICH USAID/GOM MAY WISH TO CONSIDER. FIRST, PROJECT PAPER TEXT PROVIDES FOR CLEANOUT AND REPAIR OF EXISTING DRAINAGE STRUCTURES BUT THE COST AND MATERIALS FOR THIS IS NOT CLEARLY REFLECTED IN THE BUDGET. (PP 18 - 19). SECOND, ROLLERS, WATER TRUCKS AND BORROW MAY BE REQUIRED FOR ITEM FIVE, PAGE 19 BUT THEIR COSTS ARE NOT REFLECTED. LIKEWISE BORROW MAY

5H

BE REQUIRED FOR ITEM THREE, PAGE 18 BUT IF SO, THE COST IS NOT REFLECTED. FINALLY, IT WAS NOTED THAT THE PROJECT PAPER CALLS FOR CONSTRUCTION OF MITERED DRAINS. ENGINEER ON PROJECT COMMITTEE QUESTIONED HOW LONG THESE WILL LAST ON A ROAD WHICH INVITES DRIVING ON SHOULDER. SIMPLE CROWNING AND SHAPING MAY BE A BETTER SOLUTION.

8. TWO SMALL ERRORS/CHANGES OF SOME POSSIBLE SIGNIFICANCE WERE ALSO NOTED. FIRST, WAS IT INTENDED TO REFER TO MOF IN LAST SENTENCE OF PARAGRAPH TWO OF PAGE FOUR OF ACTION MEMORANDUM? SECOND, ON PAGE 29 OF PROJECT PAPER TEXT, REFERENCE TO A RFMC AUDITOR SHOULD BE DELETED AS RFMC DOES NOT HAVE AUDITORS. PAPER SHOULD ADDRESS WHO WILL CARRY OUT AUDIT/FINANCIAL REVIEW RESPONSIBILITIES. SUGGEST USE OF CPA FIRM OR GOM.

9. FYI, AUTHORIZATION AND LIMITED SCOPE GRANT AGREEMENT WILL BE REDRAFTED/DRAFTED (AS NECESSARY) BY RLA AND HAND CARRIED ON JUNE 13 TDY. RFMC WILL ALSO DRAFT TEXT OF A PROJECT IMPLEMENTATION LETTER SETTING OUT THE PROCEDURES AND DOCUMENTATION REQUIRED TO EFFECT REIMBURSEMENT. THE DRAFT OF THESE PROCEDURES WILL ALSO BE HAND CARRIED ON JUNE 13TH. THOMAS
BT
#7206

SUMMARY OF MEETING HELD IN THE OPC DEVELOPMENT DIVISION ON 4TH JUNE 1984 TO DISCUSS USAID BLANTYRE-MWANZA ROAD IMPROVEMENT PROJECT

Attendees:

M.M. Chikonde, Chairman	OPC, Dev. Division
F.H. Sikwese	OPC, Dev. Division
J.A. Russell	MOTC, Transport Division
W.E. Grunomer	MOWS, Controller of Roads
B.G. Jones	MOWS, Design Division
M.R. Baker	USAID/Malawi, Projects

Meeting was held to review the proposed project document for the Emergency Improvements on the Blantyre-Mwanza Road Project. The principle points raised and discussed are summarized below.

1. Host Country Contribution: MOWS was concerned that the project was committing them for funds which they did not have. USAID explained that the planned contributions were intended to be within MOWS approved budget levels. OPC/DD suggested period of time during which GOM contribution to the project be defined as starting six months prior to the signing of the Grant Agreement and ending when the new paved road was opened for truck traffic. USAID concurred in this suggestion.

2. Specification of Project Outputs: MOWS was concerned that assistance provided by USAID may not be adequate to complete all the work described in section entitled "Expected Outputs of the Project" of the project paper. If this occurred, would USAID finance cost overruns or would the GOM be obligated to complete the outputs using their own funds or would it be acceptable to not do some of the planned work. In the discussion, USAID stated that the Grant Agreement would clearly limit USAID's financial commitment to the approved amount ($600,000). The GOM doubled the available of additional resources on their part. It was concluded that the Project Paper should specify the output description as indicative and that the MOWS implementation plan would be the controlling document for describing the magnitude and extent of the improvements to be made on the road. It was also agreed that the evaluation to be conducted in late 1984 would examine whether adequate funding was available to complete the agreed upon work and following that assessment, USAID may be requested to provide additional funding.

3. Reimbursement procedures: GOM representatives requested that reimbursement procedures be clearly spelled out in the project document to avoid delays in receiving payment. USAID verbally described the planned reimbursement procedures and agreed to include a description in the project document. It was agreed that the procedures adopted for the project should follow as closely as possible the GOM's internal accounting procedures and format. The MOWS requested that the Grant Agreement clearly state that goods procured with USAID funds would exonerated of custom duties and taxes USAID agreed to comply.

4. Advance of Project Funds: MOWS representative asked how long it would take USAID to reimburse them for expenditures. USAID stated that reimbursement would be made in 45 - 60 days after the GOM submitted a request for reimbursement. MOWS and OPC/DD felt that it would be difficult for the GOM for pre-finance the needed work. USAID indicated a reluctance on the part of USAID for advances and that a a partial remedy to this problem, USAID had agreed to reimburse the GOM for work completed by the GOM starting from April 1984, and also that of an advance was made, documentation requirements for project expenditures would be more exacting. MOWS agreed to examine the amounts of project financing that would be needed early in the project and what could be claimed immediately as reimburseable costs and this question would be raised again prior to signing the grant agreement.

5. Implementation Plan: Participants at the meeting agreed that the poor condition of the road and the limited amount of financing available will require careful planning and prudent management and agreed upon the need for an implementation plan. MOWS is preparing the plan and requested USAID to advise them promptly of any USAID requirements to be incorporated into such plan.

6. Miscellaneous Notes:

a) USAID was requested to separate Project budget clearly showing USAID and GOM contributions.

b) USAID stressed the need for quarterly implementation meetings chaired by the Ministry of Finance with the first such meeting taking place soon after the project agreement is signed.

c) MOWS requested that specifications for increasing curvature radius and decreasing grades be made more general.

M BAKER (drafter)
USAID/MALAWI

ANNEX B

ANNEX B

STATUTORY CHECKLIST
(Malawi FY-84)

Improving Blantyre-Tete-Harare Road
690-0234

COUNTRY CHECKLIST

A. General Criteria for Country Eligibility.

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country, to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully'

No, it has not been so determined

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

No, the Government of Malawi is not liable

3. FAA Sec. 620(e) (1). If asssistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No, the Government of Malawi has not taken ownership and control without due compensation

4. FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Lybia, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

Recipient country is not a communist country

5 ISDCA of 1981 Secs. 724, 727, 728 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727, 728 and 730 of the ISDCA of 1981.

N/A.

6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property.

No, country has not permitted destruction of U.S. property.

7. FAA Sec. 620(k). Does the program furnish assistance in excess of $100,000,000 for the construction of a productive enterprise, except for productive enterprises in Egypt that were described in the Congressional Presentation materials?

NO.

8. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?

NO.

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?
(b) If so, has any deduction required by the Fishermen's Protective Act been made?

NO.

10. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds.

Presently, the Government of Malawi is not in violation of the provision of 620(Q) STATE 169191

11. FAA Sec 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.

YES.

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

NO.

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

The Government of Malawi is not in arrears

14. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sunctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

NO.

15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

NO.

16. FAA Sec. 666. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

NO.

17. FAA Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account?

No, Malawi has disassociated itself from the final communique.

18. FAA Sec. 721. See special requirements for assistance to Haiti.

N/A.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognised human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

N/A.

2. Economic Support Fund Country Criteria

a. FAA Sec.502B. Has it been demonstrated that the country has engaged in a consistent pattern of gross violations of internationally recognised human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

NO.

b. FAA Sec.620B. If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N/A.

c. ISDCA of 1981, Sec.726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile, has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

N/A.

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects under the FAA and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Funds.

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

A GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?

CN sent May 17 will expire on June 2.
YES.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b)a reasonably firm estimate of the cost of the U.S. of the assistance?

YES.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is the basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No legislative action required.

4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?

N/A.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

Project assistance will not exceed $1 million.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

Project is part of Southern Africa Regional Program and expected to promote regional development.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

a. Highly positive
b. Low positive
c. Nil
d. Nil
e. Positive
f. Nil

8. FAA Sec. 601(b) Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Moderately positive impact on encouraging U.S. investment by easing import/export constraints.

9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec.507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilised in lieu of dollars.

1. GOM prefinancing work
2. GOM making substantial financial construction
3. Not applicable

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

U.S. does not over excess Malawian currency.

11. FAA Sec. 601(e) Will the project utilize competition selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

No, work is of an emergency nature and will be completed on GOM force account basis.

12. FY 1982 Appropriation Act Sec.521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substancial injury to U.S. producers of the same, similar competing commodity?

No, project will not support production of any specific export crop.

13. FAA 118(c) and (d). Does the project take into account the impact on the environment and natural resources? If the project or program will significantly affect the global commons or the U.S. environment, has an environmental impact impact statement been prepared? If the project or program will significantly affect the environment of a foreign country, has an environmental assessment been prepared? Does the project or program take into consideration the problem of the destruction of tropical forests?

Negative dtermination on IEE recommended.

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the

benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c)support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

N/A.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

N/A.

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

N/A.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to increase of productive capacities and self-sustaining economic growth?

N/A.

g. FAA Sec. 281(b). Describe extent to which program recognises the particular needs, desires, and capacities of the people of the country; utilises the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

N/A.

2. Development Assistance Project Criteria (Loans Only).

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

N/A.

b. FAA Sec 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S of more than 20% of the enterprise's annual production during the life of the loan?

N/A.

c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project privide for monitoring under FAA Sec. 624(g)?

N/A.

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

Yes, Project supports economic interaction in southern Africa

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

NO.

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

NO.

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

NO.

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

No, project deals with an emergency situation and will be implemented by GOM on particular basis.

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

YES.

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

YES.

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in the U.S.)

No agricultural commodities will be procured.

5. FAA Sec.603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?

No shipping will be financed under this project

6. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enteprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

No technical assistance will be financed.

7. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

YES.

8. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Project will not finance any contracts to which U.S. Government is party.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interests?

Project deals with an emergency situation. Work to be performed by GOM on force account basis.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

No contracts for construction will be financed.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million?

YES.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

N/A.

2. FAA Sec.301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A.

3. FAA Sec. 620(h). Do arrangements exist to ensure that United States foreign aid is not used in manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

YES.

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or in part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

1. Yes, project precludes.
2. Yes, project precludes.
3. Yes, project precludes.
4. Yes, project precludes.

b. FAA Sec.620(g). To compensate owners for expropriated nationalized property?

Yes, project precludes.

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Yes, project precludes.

d. FAA Sec. 662. For CIA activities?

Yes, project precludes.

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

Yes, project precludes.

f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

Yes, project precludes.

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?

Yes, project precludes.

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

Yes, project precludes.

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

YES.

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Assistance will not be provided for such purposes.

k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorised by Congress?

Assistance will not be used for such purpose.

TAB C

Telegrams: FINANCE, Lilongwe
Telephone: Lilongwe 731 311
Communications should be addressed to:
The Secretary to the Treasury

In reply please quote No. USA/2/III/185.

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

9th May, 1984

The USAID Representative,
P.O. Box 30455,
LILONGWE 3.

RESPONSE BY:
DATE OF ACTION:
FILE:

Dear Sir,

SPOT IMPROVEMENT OF BLANTYRE-MWANZA ROAD

Please refer to our discussions with Mr. Stacey, Regional Director for USAID and yourselves on 7th May, 1984 regarding the above-mentioned project.

We hereby request USAID to provide grant funds amounting to up to K1 million for spot improvement of the Blantyre-Mwanza Road. We estimate that a sum of K500,000 will be required to provide minimum realignment and maintenance of the existing road this year. This slight realignment will eliminate the worst of the sharp curves and reduce the 12% grade. The rock outcropping will be blasted to the roadbed or covered with fill material. We estimate that K250,000 will be required for each of the following two years 1985 and 1986 for continuing minimal maintenance.

You will appreciate this road is currently being used to haul Malaŵi products to Zimbabwe and Mozambique and to haul imported items such as fertilizer, coal, fuel etc into Malaŵi. The Ministry of Works and Supplies will construct the road through force account.

As it is intended to take advantage of this year's dry season, we should be grateful if you can kindly indicate preferably by 1st June, 1984 provision of funds from USAID for this project, as it is necessary to start emergency repair work on the road, which is in very poor condition, resulting in a high accident rate and slow and costly movement of goods.

Yours faithfully,

T.A.V. Chande
for SECRETARY TO THE TREASURY

cc. : File 17/5/19/17

ANNEX D

ANNEX D
INITIAL ENVIRONMENTAL EXAMINATION

Project Country: Southern Africa Regional

Project Title: Improvement of the Blantyre-Tete-Harare Road

Funding: FY 1984: $500,000

IEE Prepared by: C.H. Groceman, Engineer AID/Zambia, May 15, 1984

Environmental Action Recommended:

Positive Determination _____

Negative Determination ✓

Approved: [signature]

Disapprove: _____

Date: July 15, 1984

Initial Environmental Examination

Project Description

The project consists of making improvements over an 80 km unpaved stretch of the M2 road between Chileka, Malawi and the Mozambique border.

The existing road is the shortest truck route between Blantyre and Zimbabwe. The road surface has large rock outcroppings that cause "articulation" and, at times, uncoupling of trailers from their tractors. There are also steep grades (up to 12%) and very sharp curves. The road is narrow and has extremely short sight distances in some sections. These conditions create high transportation costs, excessive wear and tear on the equipment and cause a high accident rate along the road.

The work to be performed under this project will consist of removing the rock outcroppings so that a uniform road crown can be formed, reducing the grades to a maximum of 10% and increasing the curve radius to a minimum of 400 meters, except in isolated cases where construction cost would be prohibitively expensive.

The end result will be a road that will allow for faster and more economical movement of goods between Malawi and Zimbabwe. It should be understood that the limited amount of funds available for road improvements to be performed under this project will not produce a first

class, all weather road but rather one that will be minimally sufficient until late 1986 when the new road now under construction between Blantyre and the Mozambique border is opened to traffic.

Discussion of Environmental Impacts

A. Land Use

The work proposed will not require additional land use since the existing right-of-way will be used. Run-off in the hilly areas is heavy and erosion in certain areas has been a problem. The proposed work will improve the drainage channels and result in reduced erosion. Fill material will be from gravel and borrow pits along the roadway and it is unlikely that additional land will be used for such purposes.

B. Water Quality

Minimal impact on water quality is expected because no change in natural waterways is anticipated. Drainage will be improved as discussed in Section A above.

C. Atmosphere

Pollution, due to dust, can be expected during the construction period, but will not be excessive. Noise and exhaust fumes from the construction effort will not be any more objectionable than that being experienced from the heavy vehicles now using the road. The low population density will further limit the number of affected persons.

D. Natural Resources

The project will not cause any inefficient utilization or waste of natural resources in the area. The road passes through a sparsely populated area of Malawi. Wildlife in the area have adjusted to the existing road and no additional obstruction to their movement will occur. Some dislocation may take place during construction, but the effects will be temporary. With the exception of temporary changes, no negative impact on vegetation is anticipated.

E. Cultural

No additional dilution of cultural patterns will occur as a result of this road improvement work.

F. Socio-Economic

Positive changes will result from improved access of the population of Malawi to markets and social services. In addition, the people of Zimbabwe will benefit by more reliable accessibility to maize shipped from Malawi to Zimbabwe and from goods transported more economically between Zimbabwe and Malawi.

Recommendations for Environmental Action

The proposed improvements of this road will have numerous positive effects of a socio-economic nature, not only on the population within the road's zone of influence, but also in terms of food and other product availability in Malawi and Zimbabwe. Other environmental impacts will either be minimally negative (land use), temporarily negative (water quality, atmospherics, natural resources) or neutral (cultural). Since the proposed improvements envisage utilization of the existing road's right of way, without realignment, the overall impact of the project will be negative. If any minor realignments are developed during construction operations, the AID/Malawi Environmental Officer will examine the acceptability of the proposed changes to ensure that appropriate corrective measures are incorporated. In view of the preceding, a negative determination is requested.

ANNEX E

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK
PROJECT TITLE: Regional Improvement of the Blantyre-Tete-Harare Road
PROJECT NUMBER: 690-0234.12

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Program Goal: Improving transportation links between southern African countries.	Greater regional trade. Improved roadways within region.	National accounts and trade statistics. Regional transportation infrastructure studies Customs records and permit requests.	Commodities for regional trade available when needed. Continued donor support for infrastructure projects. Road thru Mozambique remains safe
Project Purpose: To reduce the time and cost of transporting goods over the Blantyre-Mwanza Road.	Gradual reduction in transport costs over the road. Substantial (15%) decrease in amount of time required to travel over road. Substantial decrease in the number of trucks operating between Malawi and Harare via Lusaka.	Freight contracts Absence of tugs Accident reports Interviews with truckers using road and firm managers.	GOM and GOZ can renegotiate transport contracts. GOZ continues to buy Malawi maize Road thru Mozambique remains open
Project Outputs: 5 km cleared where curves are to be eased. 5 km road surface rebuilt where curves eased. 10 km road surface resnaped in areas of rock outcroppings. 24 km reconstruction of road surface in lowlying areas. 29 km of miter and side drains cleared and reshaped. 16 culverts and headwails constructed	 as stated as stated as stated as stated as stated as stated	site visits project progress reports evaluations	Geological formations permit substantial mechanical excavation. Initial site visits reasonably correct and accurate. MOWS has adequate management capability to plan and implment road improvements.
Project Inputs: Plant/vehicle hire Fuels and lubricants Temporary labor Materials/supplies Supervisory personnel Road maintenance	 $345,000 $135,000 $ 75,000 $ 45,000 $ 60,000 $140,000	Project reports and evaluations.	Temporary labor available for hire PVHO has sufficient and adequate equipment and vehicles. EEC/EDF financed road will be completed by end of 1986.

ANNEX F

ANNEX F

SUMMARY DESCRIPTION OF THE MALAWI ROAD TRANSPORT SECTOR

The following pages summarize selected analyses and conclusions of the Malawi Transport Sector Assessment, prepared by Louis Berger International, Inc. under USAID funding in September 1983. Certain tables and analyses have been updated where more recent data were available, but the conclusions remain valid.

SUMMARY DESCRIPTION OF THE MALAWI ROAD TRANSPORT SECTOR

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A. TRANSPORTATION LINKS AND FACILITIES

1. Road, Rail and Lake Transportation Links

Transportation links within the Republic of Malawi are provided by a road network of approximately 10,000 kms of which about one fifth is paved, a rail network of approximately 800 km of single line track, one international airport at Lilongwe and Lake Malawi which provides a potential north/south lake corridor approximately 500 kms in length. (See Figure 1)

a. Roads

The trunk road network totals approximately 2500 km of which over half is paved. The majority of the paved roads are in the southern half of the country. The main north-south axis road Bangula-Chikwawa-Blantyre-Zomba-Debza-Lilongwe-Kasungu-Jenda is paved however certain sections are in poor condition. This connects with the Mzuzu-Karonga road which is paved, however the connecting section from Jenda-Luwawa-Mozamba-Mbowe-Mzuzu which is in difficult terrain is not fully paved. A connecting road to be paved to link with the Tanzania border so as to complete the overall north-south corridor is currently under discussion.

To the south and east paved roads connect with Mozambique at Bangula and Mwloza. To the west, a new connection to Zimbabwe via Mozabique from Lilongwe to Mwanza is scheduled to be built whilst a paved road connects with the Zambian border further north at Mchinji.

The critical mssing links therefore in the road network are a section of the M1 between Jenda and the Mzuzu which requires paving, and the connecting link which requires construction to connect with the Tanzanian border in the north.

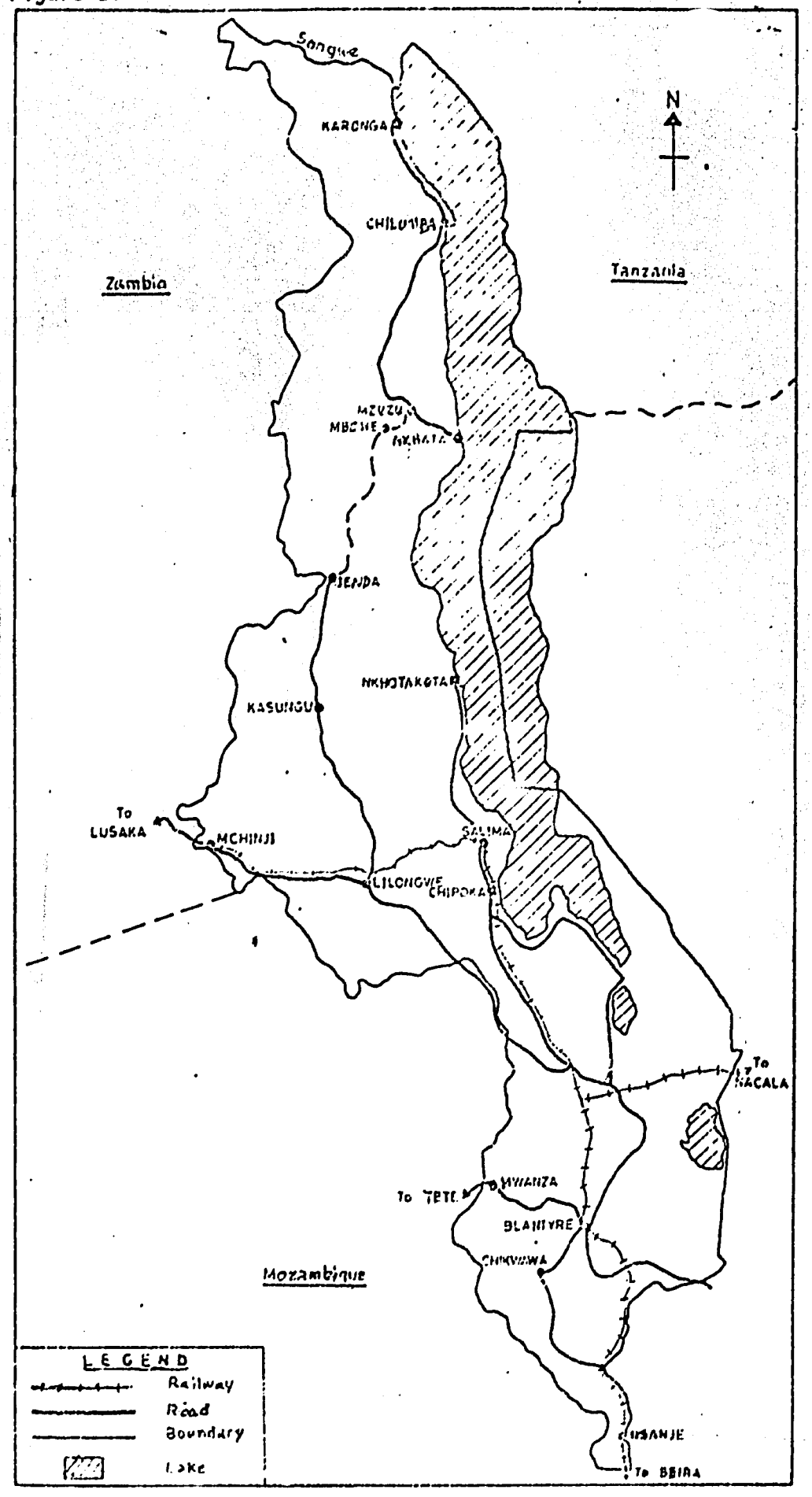
b. Rail

Malawi Railways has a single line rail netwrok with two branches which connect with Mozambique at Nsanje and Nayuchi. The former links with the Mozambican 'Caminhos de Farro' line to Beira whilst the latter connects with the port of Nacala. These two lines meet at Nkaya and link with both Blantyre and Lilongwe. The last section of rail line to be constructed recently connects Lilongwe with the Zambia Border at Mchinji which will then connect with Chipata in Zambia. The rail network also connects with the lake services at the port of Chipoka.

c. Lake

Lake Malawi has traditionally been used to provide some passenger and freight services, although volumes are fairly low. There are small ports at Monkey Bay, Chipoka, Nkhata Bay and Chilumba. Most activity occurs at Chipoka where the railway connects with the port.

Figure 1. MALAWI INTERNAL TRANSPORT ROUTES



d. International Transport Corridors

Due to its landlocked position Malawi is dependent on international transport corridors in neighboring countries for the import and export of commodities. The following outlines the routes which connect with principal seaports. (See Figure 2) These are the main transit transportation links for the Republic of Malawi. There are essentially six routes which are available. These are:

1. Rail to Beira
2. Rail to Nacala
3. Road via Tete and Harare to Durban
4. Road via Lusaka and road or rail via Gaborone to Durban
5. Road via Lusaka and road or rail via Tanzania to Dar es Salaam
6. Road via Lusaka and road or rail via Tanzania

The seventh option depends on opening up the northern road link into Tanzania in the future. (See Section II.B)

2. Road, Rail and Port Facilities

The previous section has outlined the principal international transport routes upon which Malawi is dependent. The following highlights the infrastructure and facilities on each of the main routes.

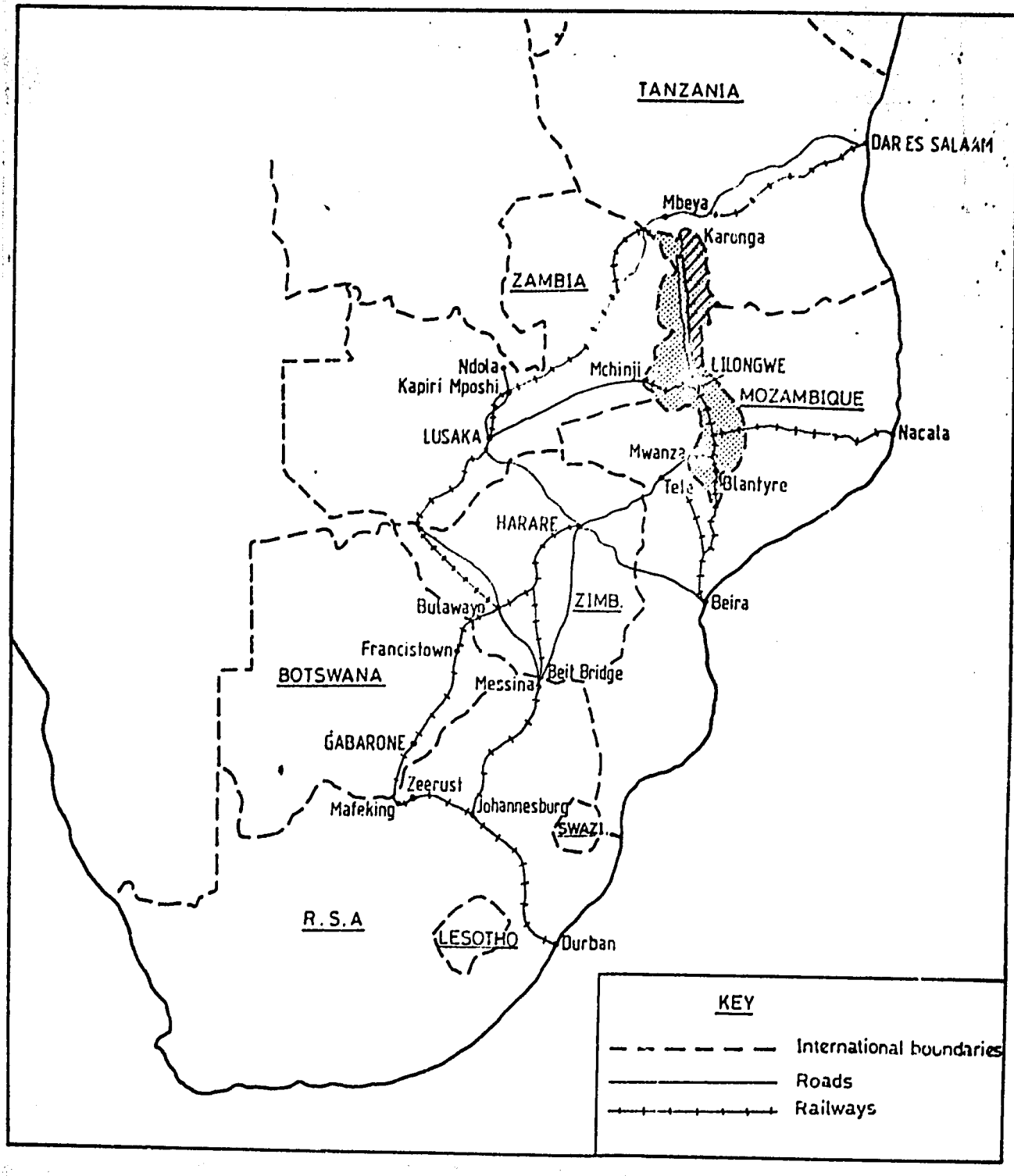
a. Nsanje-Beira (Rail)

This is the shortest distance to the coast and consists of a single line track, sections of which are badly deteriorated. The line which previously served as the vital link for Malawi is currently virtually closed due to insugency in the region. The port of Beira can receive ships up to 25,000 t.dwt. and can handle bulk and break-bulk cargoes, Ro-Ro traffic, fuel and coal. Cranes and handling facilities are adequate and transit cargo storage of up to 60,000 m^2 is available.

b. Nayuchi-Nacala (Rail)

This is a single line track, sections of which are poorly constructed and maintained which leads to problems during the rainly season. There is a rebilitation program which is due to be implemented shortly. Communications on the line are poor if not non-existent. Nacala is a deep seaport with goog access. There are four conventional shipping berths and two container berths. There are facilities for POL and facilities for transferring containers directly between ships and wagons and a large rail mounted gantry.

Figure 2. INTERNATIONAL TRANSPORT ROUTES



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Handling facilities are good and covered transit cargo storage of 24,000 m^2 is available. However, the ground at the container terminal is not paved which leads to handling difficulties during the rainy season.

c. Mwanza-Tete-Harare road/Harare-Beit Bridge-Messina-Durban rail

A new paved road is scheduled to be build between Lilongwe and Mwanza. In Malawi the present road from Blantyre to Mwanza is gravel. Over the border in Mozambique the road is paved but badly deteriorated up to Tete and has been subject to insurgency recently. The bridge at Tete has also been closed. If this occurs this necessitates using the alternative longer road route to Harare via Lusaka. The road section in Zimbabwe from Harare to Beit Bridge is paved and good.

d. (i) Mchinji-Lusaka road/Lusaka-Chirundu-Harare road/Harare-Beit Bridge-Messina-Johannesburg-Durban rail

This is a paved road, sections of which need reconstruction on the section from Lusaka to Harare. At Harare transhipment facilities for containers exist but require expansion. In Zimbabwe the NRZ presently operates diesel locomotives but this section first to Sombula and then through to Beit Bridge is being electrified. In South Africa the rail route passes via Pretoria from Messina to Durban. Parts of this are electrified.

(ii) Mchinji-Lusaka road/Lusaka-Harare-Beit Bridge road/Beit Bridge-Messina-Johannesburg-Durban rail

The alternative to the above route is by road all the way through Zimbabwe via Harare to Beit Bridge to the South African border and to tranship at Messina onto the South Africa rail system. The paved road is good and good warehousing and transhipment facilities exist at Messina.

e. (i) Mchinji-Lusaka road/Lusaka-Livingston-Bulawayo -Gaborone-Mafeking-Durban rail

This is a paved road to Lusaka, parts of which are poorly maintained and badly deteriorated in Zambia. Lusaka road/rail transhipment facilities are warehousing are available. Container handling facilities are available but require improvement. Zambian Railways (Z.R.) serves the route to Victoria Falls bridge where the National Railways of Zimbabwe (NRZ) takes over. Sections of the Zambian railway are scheduled for improvement under a IBRD investment program. In Zimbabwe steam locomotives are used up to Victoria Falls as it runs through the Wankie coal producing area. From Victoria Falls to Bulawayo and on to the Botswana border, and in Bostwana itself after Francistown for 640 kms, the railways is operated by NRZ. The Botswana Government plans to take this over in 1987.

In South Africa the railway is operated by South African Transport Services (S.A.T.S.) from the Botswana border via Mafeking, Zeerust, and Johannesburg to Durban (1047 kms). This is part diesel oerated and part electric. Services are good. At the port of Durban ships up to 80,000 t.dwt. can be handled and 59 berths are availablefor bulk, break-bulk, containers, Ro-Ro and fuel cargos. Container facilities and handling facilities are good and 95,000 m^2 of covered storage space are available. S.A.T.S. owns and operates the port which facilitates cargo handling and loading onto the railway.

(ii) Mchinji-Lusaka road/Lusaka-Kazungula-Francistown Gaborone-Mafeking-Zeerust road/Zeerust-Johannesburg-Durban rail

An alternative to the above consists of a similar routing by road all the way from Lusaka to the South African border. The road from Lusaka to Mazungula is paved with some sections requiring rehabilitation. At Kazungula (where four countries meet) there is a ferry crossing. Proposals have been made to replace this by a bridge in the long term. Beyond Kazungula, in Botswana, there is a section of gravel road followed by a new section of paved road to the South African border at Mafeking. At Zeerust (in R.S.A.) there are transhipment facilities to link with the South African railway.

f. (i) Mchinji-Lusaka road/Lusaka Dar es Salaam rail

This route consists of delivering goods by road to Lusaka, transhipping them which are them routed via Zambian Railways to Kapiri Mposhi. They travel on the remaining section of this route (which is 1860 kms to Dar es Salaam) on the Tazara railway powered by diesel locomotives. This line is new but certain sections of the line are subject to landslides.

The port of Dar es Salaam is fairly modern with facilities for conventional ships and som RoRo facilities. There is a bouy for crude oil inputs which can cater for very large tankers of 100,000 t.dwt. (A crude oil pipeline connects with Ndola in Zambia). Containers must be off-loaded by ships equipment. There is aproject for developing and expanding the container facilities. Handling facilities exist but availability is often poor due to the lack of spares, fuel, etc. Additional warehosuing facilities are being constructed.

(ii) Mchinji-Lusaka-Dar es Salaam road

The road to Kapiri Mposhi from Lusaka is paved and faily heavily trafficked. Beyond Kapiri Mposhi the road is the TanZam Highway which is paved and forms part of the Trans-East African Highway. In Tanzania sections of the road are being reconstructed. Presently this road carries approximately 200,000 tonnes of international freight traffic per annum.

g. (i) Karonga-River Songwe-Ibanda-Dar es Salaam road

In Malawi the north/south road to Karonga is paved except for a section between Jenda-Luwawa-Champhoyo which is under construction and from Champoyo to Mbowe where the road is gravel. Beyond Karonga there is a dirt road to the border at the River Songwe. There is no bridge there. On the Tanzanian side there is a gravel road to the border from Ibanda but another bridge is required to cross the river Kiwira. Beyond this there is a paved road connecting Ibanda and Mbeya which lies on the Tanzam Highway.

This overall connecting route is currently non-functional due to the lack of a border connection, but it is under serious study for future development.

(ii) Karonga-River Songwe-Ibanda-Mbeya road/Mbeya-Dar es Salaam rail

The alternative to the above route consists of road to Mbeya (once the Karonga-River Songwe-Ibanda road is completed), transhipment at Mbeya and rail (via Tazara) to Dar es Salaam. Transhipment facilities at Mbeya will need expansion.

B. THE ECONOMY AND IMPORT/EXPORT FLOWS

The Republic of Malawi is a landlocked country and has suffered significantly as a result of this in recent years. Since independence the country has attained self-sufficiency in food and produces valuable agricultural commodities for export, principally tobacco, tea and sugar, and recently maize. All vital inputs, for example, fuel, and recently coal and manufactured goods have to be imported.

1. Current Levels of Imports and Exports

Table 1 summarizes the total tonnages of goods estimated to have been imported/exported to/from the country in 1983.

Table 1 Estimated Imports and Exports (tonnes) 1984

Imports		Exports	
Petrol & Parafin	55,000	Tobacco	35,000
Diesel	65,000	Tea	40,000
Fertilizer	100,000	Sugar	80,000
Coal	45,000	Maize	150,000
Manufactured Goods	100,000	Groundnuts	5,000
Others	95,000	Others	10,000
Total	460,000 t.		320,000 t.

Tea and tobacco alone contributed K. 188 million to foreign exchange earnings in 1983, whilst maize, and sugar and groundnuts contributed approximately K. 50 million.

2. Projections of Future Imports and Exports

a. Exports

The following Table 2 indicates projections for the export of principal crops (by tonnage) over the period 1983-8. Steady growth in tea and tobacco is expected. It should be noted that the 1983 export of maize is expected to be substantially higher than that indicated, since 200,000 tonnes has already been sold. Also the forecast for sugar exported is likely to be lower than that indicated due to transport constraints and is unlikely to reach 100,000 tonnes even though there is a substantial volume available ready for export. Cotton and rice are expected to constitute a small percentage of total exports.

Table 2. Projections - exports of major crops (1983-88)

Export Sector - Exports of Major Crops

Volume (000 MT)	1982[a]	1983	1984	1985	1986	1987	1988
Tea	37.2	35.0	36.4	37.9	39.5	41.1	42.8
Tobacco	44.8	49.3	48.8	54.5	59.4	63.2	67.2
Sugar	101.1	120.0[b]	120.1	118.2	116.2	114.2	112.1
Cotton	0.5	0.0	1.0	1.9	2.9	3.2	3.4
Groundnuts	7.2	7.4	10.9	15.6	21.7	29.7	40.1
Maize	50.0	60.0[c]	82.8	70.5	67.2	63.7	62.7
Rice	2.6	0.0	0.0	2.0	5.5	10.0	15.7

Source: 1983 Economic Report - Office of the President and Cabinet

(a) Actual Data from N.S.O.

(b) Sucoma estimate: 70.0t

(c) ADMARC estimate: 200.0t sold but unlikely that more than 100t can be moved in 1983.

b. Imports

With respect to imports, it has been forecasted that the growth of imports is expected to be proportional to the growth in gross domestic product (G.D.P.) in the forthcoming years. For theperiod 1981-6 the growth in G.D.P. at factor cost has been estimated as 4% per annum, and for the period 1986-90, estimated as 5% per annum. Gradual growth in the economy is therefore expected, with a corresponding impact in terms of the volumes of principal commodities imported. Therefore import volumes are expected to start increasing at 4-5% per year, once the economy has stabilized after the impact of the transport crisis.

3. Importer and Exporter Response to the Transport Crisis

The actions of major transport users for coping with the transport problems may be grouped into three categories of shippers: exporters of high value produce, exporters of low value produce and importers of essential supplies.

a. Exporters of high value produce

Tea at about K. 1000/tonne and tobacco at about K. 3000/tonne are relatively high value agricultural products. Although accustomed to paying about K. 150/tonne for delivery by rail to port of shipment, the industry is prepared to pay prevailing rates of K. 300-400/tonne to move products to Durban when rail is unavailable. The industry has critical contract delivery dates to meet, and the producers face cash flow problems if payments are delayed. Interest costs mount quickly where short-term borrowing can cost 1 1/2% / month. This is more critical for the individual tea estates whose financial capacity is more limited than for the large firms which buy tobacco at auction. However, the price buyers will pay for these products is reduced by their estimates of inventory and shipping costs, so the impact is finally passed back to the grower.

Some shipments have been tried through Dar es Salaam but more transport is offered on the Durban route which offers better security and guarantee of delivery times. Even air freight has occasionally been resorted to when attractive backhaul rates have been offered, (e.g., the recent arrangement for a UTA 747 to land in Lilongwe).

All exporters will use the Nacala rail route to the coast whenever possible, it is the most economical transport route. Their contingency plans are therefore to use Nacala if possible and road/rail or simply the road route to Durban via Zambia and Zimbabwe, or Zambia and Botswana, in the event of congestion on the Nacala rail route.

The packaging of tea and tobacco in containers, rather than break-bulk, has been accelerated by the transport problem. Nacala port has relatively good capacity for handling containers but is very limited for breakbulk. Since all of the container boxes are controlled by freight forwarders, the shippers are completely dependent on these agents to organize the most expeditious transport at the lowest cost. Sometimes these agents have been able to negotiate backhauls to Durban at rates competitive with rail.

b. Exporters of low value produce

Exporters of sugar and maize, worth K. 150 and K. 275/tonne respectively, are most seriously affected by the Beira rail line closures. The value of the product will not stand the cost of long distance road transportation, therefore options are very limited. In the main producers hope to use the Nacala line, and have to stockpile their produce during times when the line is congested. When covered warehousing capacity is exhausted, produce has to be stockpiled under tarpaulin.

Maize is available for large quantity exports this year, and has been sold largely to regional markets and therefore has to move mainly out of Malawi by road. High transport costs tend to constrain access to other export markets.

In the case of sugar the world market price largely dictates the transport options. The possibility of water bone navigation on the Shire and Zambezi rivers, which operated at the turn of the century, is out of the question because of route insecurity. If security were restored, the Beira rail route would presumably be available again, and this would be used.

Small tonnages of sugar are being exported by rail, these thave to compete for limited break-bulk capacity with maize sold to Mozambique. Some sugar tonnage is moving at low rates as backhauls to other higher value imports, but opportunities are increasingly limited. With large quantities of sugar and maize competing for out-bound trucking capacity, the traditional imbalance of tonnage in favor of imports is being reversed. Therefore it is possible that it will take a long time to move all of the available sugar and maize out of the country. Maize is likely to receive priority both because it has been sold to regional markets, and since it can carry a higher transport cost by virtue of having a lower production cost.

c. Importers of essential supplies

Importers of essential supplies, which include liquid fuels and fertilizers, have a number of options open to them regarding routing. Although it may be more expensive, there will always be an alternative mode of transport and the additional cost can be passed on to the buyer. While there is obviously an economic limit as to how much consumers will pay, it has been demonstrated that in the case of

fuel, the consumer in the short-term will pay the additional cost whilst in the long-term the industrial user will look for alternative types of fuel. For example, twenty years ago, a large number of tea estates used oil firing which has now been superseeded by firewood, which is grown on estates themselves on an eighty year cycle.

In the case of fertilizer, estates have not reduced their facilities purchase in the face of induced higher transport costs. However, as discussed earlier, Optichem would cease to produce fertilizer if raw materials had to be delivered at road transport costs.

Smallholder use of fertilizer for the 1982/83 season was restricted by availability of about 70,000 tonnes whereas the targeted need was estimated at about 120,000 tonnes. Nevertheless, production of maize and tobacco is at record levels this year. This is a result of putting into production more hectarage in anticipation of higher prices. Thus, there will again be a shortfall between estimated demand and supply of fertilizer as discussed in Section I, D.1.

The demand for fertilizer is a function of the price of fertilizer to the smallholder (presently subsidised by ADMARC) and the price paid to the smallhoder for his output. A World Bank Mission constructed a simple model to simulate these relationships with respect to maize as follows:

- Assume present fertilizer price and present maize prices (base case). For the base case, total fertilizer demand is 92,000 tonnes, (fertilizer demand for maize is 57,860 tonnes) and production is 1.24 million tonnes. For the alternative scenarios, if maize prices were not increased, total fertilizer demand would drop to 66,000 tonnes and fertilizer demand for maize would decline to 42,850 tonnes and production would drop to 0.8 million tonnes. With a 10% increase in maize prices, fertilizer demand and production would be similar to the base case. Farm profits are maximized in the base case while Government revenues are greatest when fertilizer prices are increased without an increase in maize prices.

- Assume a 45% increase in fertilizer price, which would eliminate almost all the subsidy on fertilizer imported through Durban, with a 10% increase in maize prices or with present maize prices.[1]

An increase greater than 10% in the price paid for maize or K. 11 per 90 kg bag is not considered. The current selling price of maize FOB Malawi is about K. 13 per 90 kg bag. ADMARC handling and transportation costs are estimated at K. 34/tonne or about K. 3 per 90 kg bag. Therefore ADMARC would appear to break even at a price of K. 10 per 90 kg bag.

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1 For a detailed description of the model and other policy simulations considered see "Fertilizer Policy Analysis", prepared by an IBRD Mission for the Government of Malawi, June, 1983.

Prices of other essential imports from non-regional sources are impacted by higher inland transport costs which thus increases the cost of individual production and the cost of living. Presently there are no evident shortages of consumer production and industrial inputs-nor business failures which can be directly attributed to the transport problem, but there is a major depression in economic activity in Malawi which is at least in part related to the transport crisis.

d. Summary

It is clear that the transportation bottlenecks and attendant transport costs are serious and impact on different industries to varying degrees. Certainly it will create a further deterioration in the terms of trade by increasing the cost of imports and decreasing the value of exports. Net foreign exchange earnings potential is diminished to the extent that additional foreign exchange is required for transport, earnings are foregone for production which can not be moved, and agricultural productivity is diminished due to the lack of adequate fertilizers. The cost of living will rise as the costs of domestic production and direct imports rise as a consequence of additional transport costs.

The Malawi Government and the private sector, however, have taken many initiatives to cope with the problem and to alleviate the hardships which might otherwise have occured. Those actions directly relate to transport have been described earlier in this report. Otherwise the economy could have been crippled by the crisis.

4. Import/Export Flows and Constraints by Route

The distribution of these import and export flows between routes over the last 5 years is shown in Table 3. (see Figure 3) Clearly the flows have shifted from rail to road due to the blockage of the Beira rail line starting in 1982.

In summary present routes appear to be handling, or to be able to handle, the following volumes of goods:

100
A

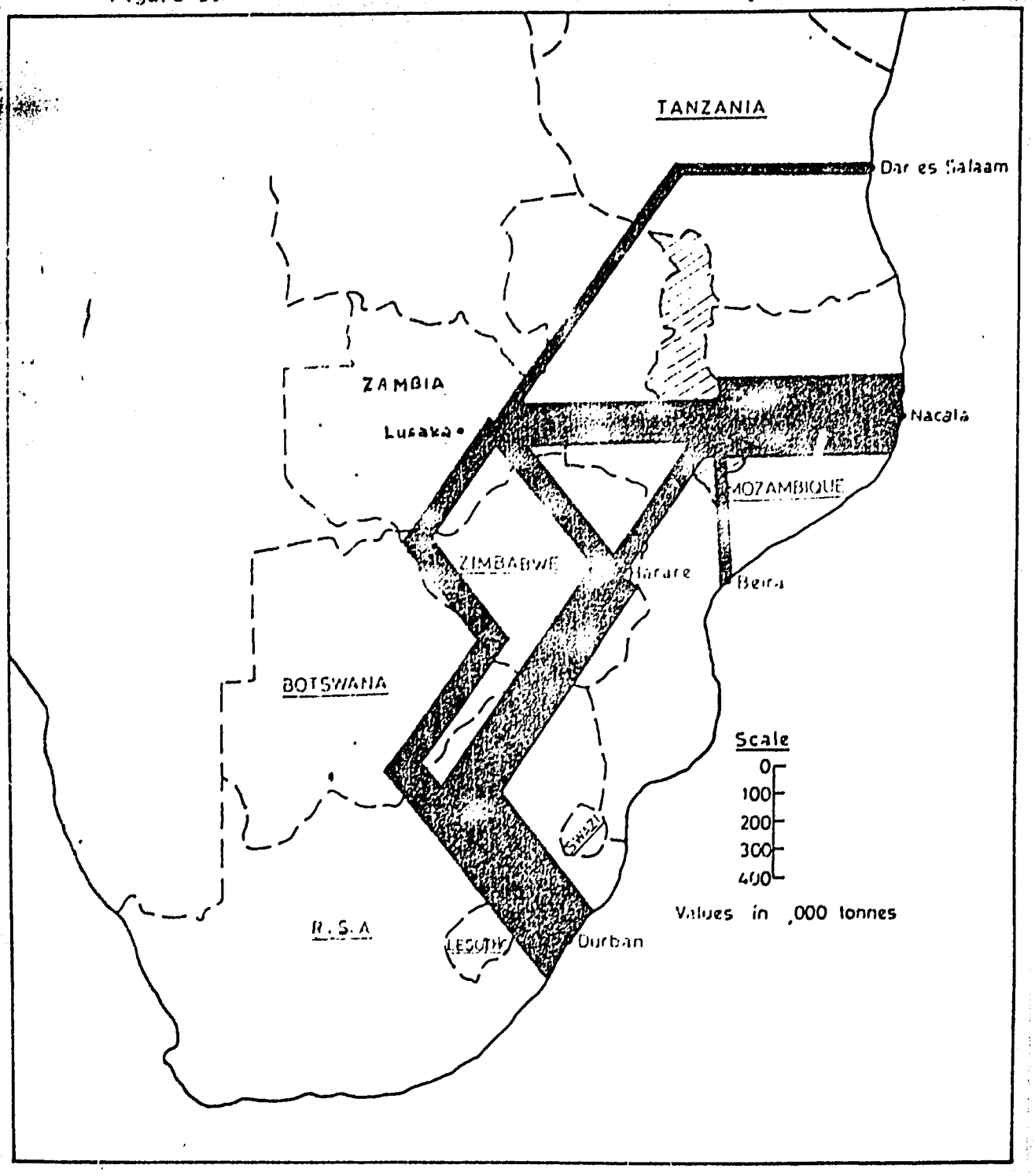
Table 3. Distribution of Malawi's External Trade by Route: 1979 - 1981

('000 tonnes)

		Rail Via Beira	Rail Via Nacala	Road Via Tete	Road Via Lusaka	Total
1979	Exports	183.8	75.1	6.9	2.1	267.9
	Imports	381.6	150.7	9.0	6.9	548.2
	TOTAL	565.4	225.8	15.9	9.0	816.1
1980	Exports	197.6	87.4	12.3	7.7	305.0
	Imports	313.1	147.4	20.2	12.3	493.0
	TOTAL	510.7	234.8	32.5	20.0	798.0
1981	Exports	194.7	73.9	12.4	10.9	293.0
	Imports	267.2	125.4	81.0	53.9	531.8
	TOTAL	461.9	199.3	93.4	64.8	824.8

Source: Malawi Railways

Figure 3. MALAWI COMMODITY FLOWS*.



* Imports and Exports

Table 4 — Commodity movements by route (tonnes)

	Imports	Exports	
1. Nacala rail link:	200,000	115,000	(1)
2. Lusaka road link (Mchinji):	170,000	100,000	(2)
3. Tete road link (Mwanza):	50,000	25,000	(3)
Total	420,000	240,000	
Projected Volume	500,000	300,000	
Shortfalls	80,000	60,000	

Notes: (1) Estimate of capacity

(2) Projection of recent commodity movements

(3) Projection of recent commodity movements

At existing levels of utilization the Lusaka road will carry approximately the same volume of goods as the Nacala rail line whilst the Tete road carries approximately one quarter of either of these routes.

Since the capacity on the Nacala rail line is limited and also constraints on the Tete road (due to insurgents), the only route capable of expansion is the Lusaka route. Hence the shortfall indicated above is likely to be transported on this route. In terms of vehicle trips, this can be translated into an additional 50% increase over existing volumes.

Sections of this road are already in bad condition, particularly between Nyimba and Petauke. It has been estimated that approximately 10% of the road requires major reconstruction, a further 10% requires major pot hole repairs, and approximately 20% requires major shoulder repairs. Hence as the road is already approaching its design life, urgent rehabilitation work is required so as to prevent further deterioration and to enable the life of the road to be extended for a further ten years.

The condition of this link is therefore critical to Malawi. If the road is allowed to deteriorate this will result not only in significantly increased financial and economic vehicle operating costs on this route, but also in the extreme, in a breakdown in the supply of essential imports to the country and foreign exchange earning commodities.

More detail is provided below for the two major road routes: Blantyre-Mwanza-Harare and Lilongwe-Mchinji-Lusaka.

5. Present Traffic Levels on the Mchinji-Lusaka Road

In recent years heavy traffic on the Mchinji to Lusaka road has been very low (for example two-directional traffic of approximately 60 heavy vehicles per month in 1981). With the changing circumstances in Mozambique traffic has considerably increased. The following 5 and 6 give heavy vehicle counts for vehicles entering and leaving Malawi for three months during 1983 (May-July) and also indicates the origin (in terms of the country of registration) of the vehicles.

Table 5 — Number of heavy vehicles entering Malawi at Mchinji (by country of registration)

1983	Malawi*	Zambia	Zimbabwe	R.S.A.	Botswana	Total
May	147	202	157	62	6	574
June	212	175	152	62	4	605
July	151	253	93	62	2	561

Table 6 — Number of heavy vehicles leaving Malawi at Mchinji (by country of registration).

1983	Malawi*	Zambia	Zimbabwe	R.S.A.	Botswana	Total
May	144	124	144	53	9	474
June	204	126	112	59	7	508
July	140	238	94	66	1	539

Source: Ministry of Transport and Communications

* There are 26 tankers owned by Zimbabwe firms but operating with Malawi registration under contract to the Malawi Finance Company. It is estimated that these trucks accounted for about half the tanker capacity or about 425 vehciles over the 3 month period.

Tables 7 and 8 show the tonnages of imports and exports that were carried on the route in these three months.

The following comments can be made about this recent but small sample concerning commodity movements in 1983 by road via Mchinji.

a) Malawi-based transporters are making approximately 30% of the total number of international trips. (This includes temporary tankers under hire from Zimbabwe).

b) The volume of imports is significantly larger than the volume of exports. However, maize is constituting an increasing percentage of the total volume of exports.

Table 7. Imports via Mchinji by Commodity

IMPORTS	May		June		July		Total		Average Load Tonnage
	No. veh.	Ton-nage	No. veh.	Ton-nage	No. veh.	Ton-nage	No. veh.	Ton-nage	
Petrol, diesel, etc.	202	5807	224	6643	108	3280	534	15,732	29.5
Coal	112	2954	69	1761	9	234	190	4,949	26.0
Fertilizer	4	116	17	487	77	2292	98	2,895	29.5
Wheat & Flour	36	1028	26	720	29	787	91	2,535	27.9
Building Materials	13	360	31	774	43	1144	87	2,278	26.2
Steel Pro. & Machinery	36	881	33	892	7	218	76	1,991	26.2
Mixed & Gen. Cargo	0	2044	48	1188	51	1356	169	4,588	27.1
Others	85	2164	118	2944	101	2470	304	7,578	24.9
Sub-total	558	15,354	566	15,411	425	11,782	1549	42,546	27.5
Empty Trucks	16	-	39	-	136	-	191	-	-
Total	574		605		561		1740	42,546	24.5
Excl. tankers							1015	26,814	26.4

Source: Ministry of Transport and Communications

Table 18. Exports via Mchinji by commodity

EXPORTS	May		June		July		Total		Average Load Tonnage
	No. veh.	Ton-nage	No. veh.	Ton-nage	No. veh.	Ton-nage	No. veh.	Ton-nage	
Tea	98	2,600	40	1,038	29	646	167	4284	25.6
Tobacco	50	1,252	67	1,724	64	1,471	181	4447	24.6
Sugar	75	2,013	83	2,149	45	1,273	203	5435	26.8
Maize	-	-	64	1,765	251	7,087	596	8852	26.9
Other	86	1,346	55	981	42	1,076	142	3403	24.0
Sub-total	309	7,211	309	7,657	431	11,553	1049	26,421	25.2
Empty Tankers	116	-	159	-	75	-	350	-	-
Empty Trucks	49	-	40	-	33	-	122	-	-
Total	474	7,211	508	7,657	539	11,553	1521	26,421	17.4

Source: Ministry of Transport and Communications

c) One half of the total volume of imports and exports (by weight) has its origin or destination in Zambia and one third has its origin or destination in Zimbabwe.

d) Fuel constituted over one third of the volume of imports via this route and maize is almost two thirds of the volume of exports.

e) On average approximately 50 emply containers per month are being brough in via this route (usually transported in groups of three). All outgoing containers are full.

f) All fuel tankers necessarily return empty. However, some diesel has been imported experimentally by container in inflatable rubber tanks.

g) In terms of seasonality during this period tea exports are low, whilst tobacco and maize exports are beginning to rise. Fertilizer imports are also rising and fuel imports may be slightly understated. Overall it is expected that imports and exports will exceed the actual level recorded in a typical three month period.

h) If the present trend continues, this route will handle approximately 100,000 tonnes of exports in a full year and 170,000 tonnes of exports.

6. Present Road Traffic to Zimbabwe through Mozambique via Mwanza

There is one other alternative road link out of Malawi to Zimbabwe through Mozambique. This road passes through Tete from Mwamza and is used principally for importing coal from the Moatize mine. Recent tonnages moved on this route are as follows:

Table 9 Commodity Movements on Mwanza to Tete Road (Tonnes)

	June	July
Imports	4,257.6	3,617.7
Exports	2,336.7	2,118.1

Source: Ministry of Transport and Communications

This road has been and is subject to some disturbances due to insurgent activity in Mozambique. As can be seem, imports are predominant, the majority of which is coal. If movements continue at the present rate, it is envisaged that approximately 50,000 tonnes if imports and 25,000 tonnes of exports can be transported via this route on an annual basis.

In terms of haulers, the following Table 10 shows the country of registration of the vehicles using this route. Generally Zimbabwean registered vehicles are more frequent.

C. ROAD TRANSPORT SERVICES

1. Factors contributing to the Weakness of Malawi's Trucking Industry

The trucking industry in Malawi is composed of many individual operators, small firms, and a few medium sized firms most of which are just struggling to exist. Historically there is a record of enterprises which have collapsed. The cause can be briefly summarized as follws:

(a) Entry into domestic trucking has been relatively easy. Most operators have had insufficient capital, management expertise of training to operate as viable businesses. Therefore the industry has a poor business reputation with financiers and insurers. Presently there is overcapacity in vehicles unsuitable for international trucking at least 8-9 months/year.

(b) The railroad has been provided protection versus trucking and has had the capacity, until the recent crisis, to carry most international traffic at lower cost.

(c) Foreign based firms have had virtually free entry into Malawi. Since in-bound international cargoes of relatively high value goods have dominated traffic volumes and covered most of the haulage costs, these firms have been able to nearly monopolize international movements. Their vehicle operating costs have also been lower than those of Malawi operators.

(d) Malawi operators have had great difficulty in obtaining permits to operate through neighboring countries.

(e) Malawi purchases of transport services have made little attempt to take steps to reduce transportation costs throug improving terminal efficiencies, reducing seasonal peak elements, balancing two directional traffic and prompt payment for serivces. Instead their practice has been to place the main burden of keeping transport rates down on the transporters. (During the last 2 months MITCO has acted to alleviate this problem by arranging backhauls and insuring promt payment for services.)

2. Truck Fleet Size and Domestic Road Haulage

The road haulage companies and individuals serving Malawi at the present time show in Table 12 are divided into two categories, those having in excess of five vehicles and those having five or less vehicles. The total fleet of larger operators is 215 units. In addition members of the African Businessmen's Association, composed of many small owner/operators, have about 150 vehicles and other operators have about 40 vehicles, giving a total of approximately 400 vehicles.

Table 10. Country of Origin of Vehicles using Mwanza-Tete road

Imports	June	July
Vehicles in - Malawi registered	73	89
Vehicles in - Zimbabwe registered	123	92
Vehicles in - R.S.A. registered	-	1
Total	196	182

Exports	June	July
Vehicles out - Malawi registered	66	90
Vehicles out - Zimbabwe registered	98	96
Vehicles out - R.S.A. registered	3	-
Total	167	186

In terms of movements, the recent number of vehicle trips has been as follows:

Number of Vehicles using Mwanza-Tete road

Imports	June	July
Trucks in	196	182
Empty trucks in	-	-
Total trucks in	196	182

Exports	June	July
Trucks out	99	90
Empty trucks out	68	96
Total trucks out	167	186

Sourec: Ministry of Transport and Communications

Table 12 Principal Malawian road haulage operators and ownership

A. Organizations having more than five goods vehicles

- Progressive Panel Beaters & Transport Contractors	- 16 units
- Clan Transport Co Ltd. (MFS) [1]	- 12 units
- Container Terminals (M) Ltd (MFS) [1]	- 8 units
- J. Tennett & Sons Ltd.	- 16 units
- Road Motor Services (Malawi Railways, collection & delivery services only)	- 16 units
- O.E. Mahomed (Asian)	- 29 units
- African Business Men's Association (separate individual owners of vehicles)	- number not known (estimate 150 units)
- Press Transport (1975) Ltd.	- 32 units
- Spearhead Enterprises Trnasport and Maintenance Services Ltd.	- 15 units
- Amosi Transport and Maize Mills	- 9 units
- A. K. Mahomded (Asian)	- 25 units
- Freight Transport (Asian)	- 11 Units
- Inter Carriers (D. Carvalho)	- 7 units
- F.A. Lambat (Asian)	- 15 units
- Kanekha Transport	- 8 units
	215 est.

B. Organizations having five good vehicles or less

- Fargo Limited (Asian)	- 4 units
- Fersons	- 5 units
- Marine Containers Ltd. (Asian)	- 5 units
- Viola Transport	- 5 units
- Glens Removals & Storage (Mw) Ltd.	- 3 units
- AMI Rennie Press (M) Ltd (Mixed)	- 1 unit
- Cargo Transfer (Asian)	- 3 units
- Trans-Connection	- 4 units
- Springbok Transport	- 3 units
- Rahim I. Hamdani	- 3 units
- Kwezani Transport, Limbe) Bhadelia Transport, Blantyre (refugee)) Universal Transport, Limbe (refugee)) Jumani Transport (refugee)) - Mkwezalamba Transport)	- owner with one or two vehicles
	40 est.

1 Owned by Manica Freight Services, one of the largest freight forwarding companies.

* Principally indigenous ownership.

Of the total number of vehicles represented in the above two categories, less than 5% or 20 vehicles are of suitable size and in suitable condition for long distance haulage, particularly haulage of containers.

The Government has a 'localization' plan whereby Asian transporters are to cease operation by the end of 1983. Some of these transporters concerned have been established in the industry for many years. When this plan is finally implemented the number of vehicles operated by road transport contractors in Malawi will fall from 394 to 317. This depletion in the number of domestic road transport operators in Malawi may further weaken the international road transport capabilities. Several of these operators have had the financial resources and successful operating experience to engage in long distance trucking.

Presently the Government sets minimum and maximum haulage rates for internal transport, in the range of 10.5 to 27.2 tambala per tonne-km. Because of the keen competition for business, the prevailing rates tend to be at the low end of this range. ADMARC, as the single largesr parastatal company purchasing transport essentially for smallholder crops and farm inputs, has specific rates intended for small trucks which are 15.0 tambala per tonne-km for bitumen roads and 19.6 tambala per tonne-km for non-surfaced roads. Special adjustments are allowed for short hauls but are seldom paid in order to keep transport costs low. These rates would be profitable if vehicle utilization was high. In fact due to an excess of transporters, limited backhauls, long terminal delays and poor transport management, many transporters have failed to operate profitably. This has given road transport a bad reputation among financial institutions.

Real efforts by buyers of transport services to keep transport costs down, through more efficient terminal operations and organizations of backhauls, would have helpted transporters achieve higher vehicle utilization. For example, for agricultural products it is not uncommon for vehicles on a 70 km haul to spend an average of 200% of running time each day in queuing, loading and off-loading.

In summary, the local transport industry, predominantly small operators, has suffered low utilization rates and has not appreciated the relationship of utilization rates and load factors to profitability. Purchasers of transport services also have been concerned with obtaining low tariffs, rather than taking steps to manage their own transport handling more efficiently and thereby permitting ttransporters to achieve better utilization. Government's policy of free entry to the trucking industry has permitted over-capacity in an industry dominated by small operators who frequently do not clearly understand the market and who have poor management skills.

This experience with domestic internal transport has contributed to the present situation where few indigenous truckers have the financial or management capability to undertake the more expensive and organizationally complex tasks of international transport.

3. International Road Haulage

For many years there was little effort by the Malawi Office of the Road Traffic Commissioner to ensure that Malawi transporters obtained foreign permits, although recently the office has actively supported applications by three Malawian firms to operate in Zambia and by eighteen firms (mostly single vehicle owners) to operate through Botswana.

Prior to 1977 a few foreign-based transport contractors operated into Malawi. These were Swift Transport (Zimbabwe), Clan Transport (Zimbabwe), Biddulphs (Zimbabwe), Glens Removals (Zimbabwe), Central African Road Services (Zambia). There were part of multinational companies having subsidiaries in Zambia, Botswana, Zimbabwe and South Africa.

Since 1977 the list of foreign based transporters operating into Malawi has expanded considerably. The names are given in Table 13 below along with the countries in which vehicles are registered.

Table 13 Foreign registered road haulage contractors

Contract Haulage	(Zambia)
Clan Transport	(South Africa, Zimbabwe, Zambia)
Freight Speed	(South Africa)
Bormans	(South Africa)
Shamrock	(South Africa)
Arrow International	(South Africa)
Central African Road Services	(Botswana)
Swift	(United Kingdom with subsidiaries in South Africa, Zimbabwe, Zambia, Botswana, Malawi)
Allways Cargo Carriers	(Zimbabwe)
M.T.S.	(Zimbabwe)
Intercept	(South Africa)
Coley Hall	(Zimbabwe and South Africa)
Rennies	(South Africa)
Unfreight	(South Africa)
Interfreightways	(South Africa)
Russel Noach	(Zimbabwe)
North Eastern Transport	(Zimbabwe)

This fleet has been of benefit to Malawi in keeping open access to seas ports. However, no restrictions were placed on the road service permits pertaining to foreign registered vehicles, with the result that in many cases the foreign registered vehicles are delivering to the door and taking out return loads from source.

This means that Malawi donestic transport, which traditionally provided the feeder service to railways, is left standing idle whilst foreign vehicles collect and deliver their goods. From the economic standpoint it means that Malawi is paying foreign exchange for the transport of goods moving over a road within its own borders, sometimes for a distance of nearly 600 kilometers. The impact of this on the already depressed domestic transport industry has been critical.

In 1983 the Government of Malawi announced that foreign permit holders will have to terminate transport runs within certain restricted areas at Lilongwe from Mchinji and at Blantyre from Mwanza. The main intention of this is to bring traffic back onto the railways. Domestic road transporters should benefit from this move since routing will help to re-establish the traditional collection and delivery system to and from the railways.

Foreign international transporters have had two major cost advantages over Malawian international transporters. Firstly, vehicle operating costs from South Africa and Zimbabwean transporters are lower than those of even an efficient Malawi operator. Costs of vehicle purchase, spare parts, tyres and insurance are lower. Equipment is either manufactured locally or imported at lower cost and taxation is generally lower. Additionally vehicles are generally operated by large well-managed firms who achieve high rates of utilization.

Secondly these firms have had access to high value imports arriving at Durban or the Harare railhead. Typically they charge road tariffs on import commodities sufficient to cover all or most of the round-trip. Upon arrival in Malawi they can offer charges for backhauls at low rates which are largely additional profit. In contrast the Malawi transporter has to charge a tariff on out-bound cargos sufficient to cover all or most of his round-trip costs. Few Malawian truckers have the capacity to arrange for a guaranteed high tariff backhaul originating in another country.

The competitive position of Malawian versus Zambian truckers is better. Operating costs and efficiency levels are more comparable, particularly given present problems and costs of maintaining vehicles based in Zambia. Given the relative proximity of Lusaka and the large volume of Malawi cargo with origins or desinations at the Lusaka railhead, it is easier to obtain high vehicle utilization rates and two directional cargoes. For these reasons, Malawi truckers have been relatively more successful in obtaining a share of these cargo movements. Likewise, these cargoes are the logical target for expanding Malawi fleet participation into international haulage.

According to traffic data collected in the period May-June 1983, foreign transporters' vehicles consist of 70% of total vehicles entering/departing Malawi (Mchinji) on the Zambian route and 66% on the Mozambique (Tete) route. Present Malawi transporters show an even smaller percentage of total tonnage due to their smaller average truck size. This is estimated at 25-30% of international tonnage.

D. GOVERNMENT AND DONOR RESPONSE TO THE PROBLEM

In the field of transportation, the Ministry of Transport and Communications is the key government ministry. It regulates all rail, road and air transport and telecommunications and has responsibility for road traffic regulations and permits through the Road Traffic Commissioner. Recently, in response to the critical transport problem it has focused on four specific tasks:

a. Establishment of a National Transportation Committee.

b. Encouragement of the creation of the Malawi International Transport Company (M.I.T.C.O.).

c. Negotiation of bilateral agreements with neighboring countries.

d. Promotion of Malawi road haulage capacity.

1. National Transportation Committee

In April 1983, in response to the general transportation problems incurred due to the actions of insurgents in Mozambique, the MOTC was instrumental in establishing a restructured National Transportation Committee. The objectives of this Committee are to assist in formulating policy and in monitoring and directing the flow of cargo traffic through the transit corridors serving Malawi for the following purposes:

to support efforts to restore and strengthen Malawi's traditional low-cost rail transit routes to the ports of Beira and Nacala;

to identify and evaluate specific transit routes available to Malawi and determine how they might best be utilized;

to reduce the cost and improve the performance of transit transport opperations;

to achieve closer co-ordination between import and export movements so as to obtain more cost-effective utilization of available transit services;

to undetake timely corrective actions in responde to anticipated and unforeseen emergency situations;

to improve the effectiveness of Malawi's representations to and relations with neighboring states on transit matters;

to endeavor to prevent consignments to/from Malawi from becoming stranded in ports or in the international transit pipeline for any reason.

There are eleven full voting members of the committee which include representatives from the:

Office of the President and the Cabinet

Economic Planning Department

Ministry of Works and Supplies

Ministry of Transport and Communications

Ministry of Trade and Industry

Malawi Railways

Chamber of Commerce

Shippers Council

Clearing and Forwarding Agents Association

There are several associate members of the Committee which represent the business and commercial community in Malawi, for example the tobacco exporters, tea and sugar producers, coal users, petroleum and fertilizer industry, ADMARC, etc.

The full Committee meets quarterly to recommend policy and operational changes to Government. It is supported by a secretariat (MOTC staff) whose function is to collect and analyse data concerning transit commodity flows. From this it develops suggested or advisory routing and traffic flow plans. A Task Force from this committee has been set up at the level of the Office of the President and the Cabinet to handle emergency transport decisions.

The Secretariat has initiated the monitoring of road traffic flows at the border crossings at Mchinji and Mwanza. Malawi Railways are also monitoring rail movements and commodities at Nayuchi and Nsanje. From knowledge of conditions on different routes advisory routing plans have been prepared. In addition the committee has been investigating methods for enhancing the use of Mchinji as a transhipment point, especially for fuel, and other measures to increase transport efficiency.

2. Malawi International Transport Company - MITCO

In recognition of the difficulties faced by both Malawian buyers of transportation services in obtaining an efficient level of international haulage service at affordable cost and of Malawian transporters in obtaining a share of this haulage work, a privately operated international road freight "booking agency" was established with GOM encourgement in 1983. This organization is described further in Annex F2.

3. Bilateral Agreements with Neighboring Countries

A draft agreement between the Government of Malawi and Zambia has been prepared and is presently under discussion. This aims at granting each country reciprocal rights to transport goods in transit through the other's country. If this is successfully negotiated, a similar agreement will be proposed with neighboring Zimbabwe.

The Agreement aims essentially:

- to coordinate hours of customs posts at ports of entry;

- to prohibit carriage of goods between two internal points in the other's country;

- to implement a system for issuing trip or route service permits;

- to exempt vehicles registered in one country and operating in the other from paying any corresponding taxes or duties. This also applies to road tolls;

- to determine the services, routes, frequency, tariffs etc. for passenger services between the two countries;

- to ensure compliance of vehicles with the legally established technical standards in the country of operation and that drivers hold valid heavy operator's licenses;

- to enable carriers to solicit return traffic in the other's territory provided that this is undertaken through officially licensed agencies;

- to ensure compliance with regulations in the other's country and in particular that carriers maintain valid insurance in accordance with the country's regulations;

- to institute agreed procedures where infringements of the above regulations occur;

- to ensure that charges for the transport of goods are stated and collected in the currency of the country where the vehicle is registered. The cargo rates shall be set through open market competition;

- to enable carriers operating in the other's country to make arrangements to pay for fuel, maintenance, repairs etc. in the other's country in the currency of that country, and to enable operators to maintain bank accounts in the other's country; and,

- to establish a joint commission to manage the implementation and operation of this agreement.

Route service permits will be valid for one year and cargo transport trip permits will be subject to annual quotas (for two periods of six months) divided equally between the two countries. Certain cargos will be exempt from the quota. A scale of fees will be agreed for the issue of the trip and route service permits. Efforts will be made to prevent domination or control over cargo routes by any single transporter or group of transporters.

Difficulties with Zambian cooperation on this issue have been encountered. However, this agreement is presently under discussion and it is hoped will be enacted by the end of 1984.

4. Promotion of Malawi Road Haulage Capacity

Although Malawi does have some haulers who operate internationally, most lack the organizational support, skills and financial resources necessary to operate effectively in competition with the highly-professional foreign-based transporters, who presently dominate Malawi's international road haulage market.[1] The MOTC therefore supports the development of a small, but competent locally-controlled road haulage industry which will be responsive to emergency needs, flexible in routings and would conserve scarce foreign exchange.

The Ministry of Transport and Communications is encouraging several potential Malawian "umbrella" organizations which would engage in and promote international road haulage operations. They would be privately owned and would operate their own vehicles and in addition would sub-contract work, lease equipment and provide other services to individual Malawian owner-operators. Each organization would be professionally managed with specialists in freight marketing, fleet planning, operations, maintenance and repairs and accounting and financial management. These specialists manage the organization while at the sametime training smaller operators under a sub-contract arrangement.

Individual owner-operators are used under contract to the extent that they are able to perform according to the requisite standards. The "umbrella" organization can also lease vehicles to employee drivers, who could then gradually acquire ownership in the vehicle. Simultaneously these operations will be acquiring the technical and financial skills to operate independently.

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1 See Section C for detailed disuccsion of Malawi's road transport services.

In order to help meet the capital requirements of these umbrella organizations and support their critical training function, the GOM is seeking assistance from international development organizations in the form of credit, equipment and training resources.

5. Development of the North/South Corridor via Tanzania

The GOM plans to allocate approximately 30 percent of its total capital investment over the next three (3) years (1983/84, 1984/85, and 1985/86) to continue to improve regional road links and road maintenance, to expand the feeder road network to improve rural access to markets, to improve external links through continued investment in the Malawi railway, and to complete the 93 kms of unpaved section of the North/South Road. The GOM has included in its investment plans proposals to pave the Champhoyo-Mbowe road and to construct the Karonga-Ibanda road, the two missing "links" in the northern access route.

a. North/South Corridor Study

Due to the current transport difficulties encountered in importing and exporting commodities via Mozambique, the Government of Malawi has been investigating other possible transit routes, in particular via Tanzania. With this aim the Ministry of Transport and Communications is commissioning a feasibility study to investigate the northern access route to Tanzania. This will study the transport systems linking the Blantyre/Dar es Salaam corridor. This is an attractive solution, due to the existence of road, rail and lake modes, which is also signigicantly shorter than routes being presently used and necessitates transiting only one other country. The study will investigate both possible incremental short term and longer term permanent solutions. Inter-modal transport options will be examined in addition to the institutional and regulatory problems. This will involve study of physical facilities in Tanzania and at the port of Dar es Salaam, in addition to options for the improvement of road, rail and lake facilities in the Republic of Malawi.

b. Tanzania Road Link

In addition to this broad corridor study, the Ministry of Works is studying a particular road link within the corridor. By 1985 with the exception of a 59 km mountainous section between Champhoyo and Mbowe, the north-south internal road axis in Malawi will be paved between Chikwawa (south of Blantyre) to Kasungu in the north. The existing earth road from Karonga to Songwe River has poor formation, alignment, and drainage. A new Class I bitumen road on a new alignment is proposed to link Karonga in Malawi across the Songwe River border to Ibanda in Tanzania. From there the road will connect to join the Itungi-Mbeya road which links with the Trans-East Africa Highway (Tan-Zam) to Dar es Salaam. The proposed road is 50.3 kms in length, 4 kms of which are in Tanzania, and necessitating two bridges

over the rivers Songwe and Kiwira. This is a vital link, to which both Malawi and Tanzania have agreed in principal and British OCA AID is building Bailey bridges to cross both rivers on a crash program. By completing this critical link Malawi will become fully accessible by road through Tanzania to the port of Dar es Salaam.

c. Lake Service

Within the north-south corridor, considerable interest is focused on developing the existing capability of the lake services. Currently some passenger and freight services are provided on the lake by Malawi Railways. The principal ports of Chilumba, Nkata Bay, Chipoka and Monkey Bay are linked by regular but infrequent services. Chipoka is significant in that it links with the existing rail system. A new fuel tanker has been built at Monkey Bay, capable of transporting up to 300 tonnes of fuel on the lake. With the existing barges, there is a vessel capacity for moving about 1,000 tonnes of fuel, considerably in excess of internal distribution requirements. Assuming vessels could make two round trips per week between Chilumba/Chipoka (approximately 450 kms), there is a potential existing capacity for movement of 100,000 tonnes of fuel. This would be a major increase in Malawi's fuel input capacity and could handle 50% of the nation's requirements through 1987.

Further attention is also being focused on the possibility of using the lake for freight transport services. For example, by introducing a Ro-Ro system onto barges, goods could be transported from Chipoka to Chilumba at competitive rates and iwhtout incurring large capital costs. Two small barges each carrying say 10 trailers making 100 round trips per year could offer a maximum 80,000 tonne/year capacity on a Ro-Ro system. Malawi Railways is currently investigating suitable locations for the development of a new or existing port, and the North/South corridor study will examine possible locations in the north, such as Kapwe.

All the above initiatives show the creative response of the Malawi Government to the transport crisis, and its interest in promoting the private sector to deal with the major problems facing the country.

6. Donor Community Response

There has been significant interest in the aid donor community in providing support to the government in responding to the transport crisis. In addition to USAID projects the following donor activities have occurred.

Studies funded by UNCTAD and the European Development Fund (EDF), after examining the projected future composition of Malawi's foreign trade together with regional political and economic stability issues, have strongly recommended that the GOM give high priority to developing a northern transport access route to the port of Dar-es-Salaam.

This routing is shorter and therefore has potentially much lower costs for Malawi's external trade than the alternative routings through South African ports.

The recently approved IBRD Highway V project is financing a transport system study of this northern access corridor, which includes the proposed new road link between Malawi and the Tanzania-Zambia transport corridor at Mbeya for Malawi's external trade through Dar-es-Salaam, leading to specific recommendations for corridor development. The IBRD, African Development Bank and the EEC, are financing road construction and maintenance programs in Malawi. Construction is expected to commence shortly on the EEC-financed Blantyre-Mwanza highway and on additional sections of the major north/south highway link between Karonga and Lilongwe.

The British are installing Baily Bridges on the Tanzania-Malawi river-crossings, and assisting with a 10 year track rehabilitation program on the older north/south section of the rail system in Malawi. West German assistance to the transport sector has been focussed on lake services development, primarily the provision of vessels, equipment and training, plus some road construction. Additional West German proposals have just been approved for the provision of additional rail and road haulage equipment.

The Canadians, in 1982, completed the rail link from Salima west to the Zambian border at Mchinji. With Indian Government assistance, this rail link is expected to be extended to Chipata, Zambia's major eastern regional center. There are no firm plans for completing the remaining 600 km of rail linkage between Chipata and Lusaka. Assistance for the rehabilitation of the Mozambique portion of the Nacala rail line is being financed by the governments of Portugal, France and Canada. Commencement of this major and badly needed track rehabilitation program has been repeatedly delayed. Once commenced, the effort is expected to take between 5-10 years to complete.

Clearly the transport crisis continues to be a major impetus to foreign aid in the Malawi transport sector, but there is still a major short-term weakness in the area of international road links and the international trucking industry.

ANNEX G

ACTION MEMORANDUM FOR THE AID REPRESENTATIVE TO MALAWI

FROM: Murl R. Baker, Projects Officer, USAID/MALAWI

SUBJECT: Malawi - Improving the Blantyre-Tete-Harare Road (690-0234) Source/Orignin waiver for the procurement of fuels and lubricants.

PROBLEM: The subject project will require the procurement of fuels and lubricants for use in the heavy equipment rented for making road repairs. You are requested to authorize procurement of these commodities by granting a source/origin waiver from Geographic Code 941 to Geographic Code 935.

FACTS:

1) Cooperating Country:	Southern Africa Program (Malawi).
2) Project:	Improving the Blantyre-Tete-Harare Road (690-0234.12).
3) Nature of Funding:	ESF Grant.
4) Description of Goods:	Fuels and Lubricants
5) Approximate Value:	$110,000.
6) Probable Source:	Malawi.
7) Probable Origin:	Republic of South Africa.

DISCUSSION:

In accordance with AID Handbook 1B, procurement of commodities from Code 935 sources and origins under a grant financed project requires a waiver. Under Handbook 1B, Chapter 5B4b(2), a waiver may be granted if "the commodity is not available from countries included in the authorized geographic code". The authority to make such a determination and grant a waiver has been delegated to you under DOA 140 (revised).

The subject project will make emergency repairs to 80 kilometers of unpaved road on the Blantyre-Tete-Harare road. The improvements are to upgrade the road to a level that will facilitate regional transportation; especially that of emergency maize shipments from Malawi to Zimbabwe and other drought-affected areas in Southern Africa. Funding provided by this project will be used to improve the section of the road between Blantyre and Mwanza, a town on the Malawi border with Mozambique. All the road improvement work will be executed in Malawi by the Ministry of Works and Supplies on a Force Account basis.

AID will finance materials, temporary labor, equipment rental and operating costs of the rented equipment as required for the rehabilitation of the road. Fuel and lubricant costs are expected to be a major cost item of the financing provided by AID (an extimated 20% of the total costs provided by AID).

Fuel and lubricants used in Malawi are purchased on a regional basis by the oil companies represented in Malawi. Mobile Oil coordinates its requirements from its regional office in Harare. OILCOM, an associate of British Petroleum (BP), coordinates its orders through BP offices in London. The supply of fuels and lubricants is dicatated largely on the basis of price and availability. Supplies come mostly from the Ndolo refinery in Zambia or South African refineries. Diesel is refined in Ndolo but because of the quality of crude oil used is very expensive and often unavailable. Some diesel has been procured from Ndolo but only on an emergency basis. Most commonly, supplies of diesel and lubricants are procured from the Republic of South Africa because of their proximity to Malawi and the cost of the commodity. Diesel procured in South Africa delivered to Blantyre is presently costing about $380 per ton. The best alternative source of diesel is the Ndolo refinery. The cost of Ndolo refined diesel is about $500 per ton when it is actually available. Thus for this project, diesel from sources other than geographic code 935 is not available.

CONCLUSION:

The requested source/orgin waiver authorizing the procurement of approximately $110,000 of fuels and lubricants refined in the Republic of South Africa are justified because the needed supplies in Malawi are not available from refineries located in the approved geographic code. The non-availability of the desired commodity from approved sources and origins is recognized in the FAA as justification for approving a procurement waiver. Thus the circumstances satisfy the criteria set forth above justifying the procurement of fuels and lubricants from geographic code 935.

RECOMMENDATION:

For the reasons stated above, it is recommended that you:

(1) approve a waiver permitting the procurement of approximately $110,000 of fuels and lubricants from geographic code 935 in lieu of geographic code 941; and,

(2) certify that exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941 would seriously impede the attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program.

Approved: (See Project Authorization)
Sheldon W. Cole

Date: _____

Concurrence: Nairobi 19885
REDSO/ESA

USAID/Malawi Waiver Control Number _____.