PD-AAY-922

# A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS
2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE

## IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office USAID/Zaire
(ES# 88/03)

B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 87 Q 3

C. Evaluation Timing
Interim [ ] Final [X] Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

| Project No. | Project /Program Title | First PROAG or Equivalent (FY) | Most Recent PACD (Mo/Yr) | Planned LOP Cost (000) | Amount Obligated to Date (000) |
|---|---|---|---|---|---|
| 660-0100 | Agricultural Inputs Support I | 84 | 02/88 | 10,000 | 10,000 |
| 660-0103 | Agricultural Inputs Support II | 85 | 02/88 | 10,000 | 10,000 |
| 660-0121 | Structural Adjustment Support | 86 | 05/88 | 15,000 | 15,000 |

## ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

| Action(s) Required | Name of Officer Responsible for Action | Date Action to be Completed |
|---|---|---|
| Based on the findings and recommendations presented in this evaluation report, the Mission will ensure that the following actions are taken: | | |
| 1. The Mission will increase the number of end-use checks through the remaining months of these projects. For future CIPs, however, the Mission will rely on the services of external audit/accounting firms to provide objective end-use accountability studies. | PDO | 09/30/88 |
| 2. The new Private Sector Support Project, which will have a substantial CIP component, will be designed to have a built-in monitoring capability to provide company-specific information on the impact of CIP-financed imports on such things as changes in production and employment levels. | PDO | 09/30/88 |
| 3. The Mission will monitor actual progress made and sustained by the Government of Zaire on (1) price controls for industrial and agricultural commodities, (2) control procedures for commodity exports, and (3) the effects of lowered tariffs on formerly protected firms. This will be accomplished at two levels. First, these topics will be included on the Mission's research agenda; second, the new Private Sector Support Project, through its monitoring mechanism, will keep close watch on these and other issues. | PRM | 11/30/88 |

(Attach extra sheet if necessary)

## APPROVALS

F. Date Of Mission Or AID/W Office Review: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions

| | Project/Program Officer | Representative of Borrower/Grantee | Evaluation Officer | Mission or AID/W Office Director |
|---|---|---|---|---|
| Name (Typed) | Richard Dreiman | Lit. Dona Mussa Sal | Stephen Vance | Dennis M. Chandler |
| Signature | | | | |
| Date | 3 May 1988 | | | |

REPUBLIQUE DU ZAIRE
FONDS DE CONTREPARTIE
DEPARTEMENT DU PLAN
- 5 MAI 1988

## ABSTRACT

1. Evaluation Abstract (Do not exceed the space provided)


Each of the three AID grants supports a commodity import program managed by USAID/Kinshasa but implemented through private agro-related firms in Zaire. The imported commodities are to improve directly or indirectly (after processing) the lot of low resource farmers, consumers and wage earners. Other critically important objectives are balance of payments support, generation and productive use of local currency for USAID projcts, and encouragement of the GOZ's economic liberalization policies. The CIPs are evaluated annually to determine the impact of the CIPs and the GOZ's economic liberalization program on importing firms and their employees and low resource farmers.

The evaluators recorded the following lessons learned:

(1) Useful policy reforms are being applied in Zaire's economy but it requires constant vigilance, and it raises questions about how many conditions should be imposed in a given timeframe.

(2) Commodity Import Programs are a very useful approach to development programming in a country such as Zaire. They provide flexibility by shifting from discrete projects to a program mode and in doing so they engage the cooperation and the economic interests of the private sector in priority areas of development.

(3) However, in order to measure impact of CIPs and policy dialogue with more precision, it will be necessary to include quantifiable indicators in project designs or at least establish an on-going monitoring capability to measure, over time, price changes, production, numbers and other relevant indicators at micro levels.


## COSTS

1. Evaluation Costs

1 Evaluation Team

| Name | Affiliation | Contract Number OR TDY Person Days | Contract Cost OR TDY Cost (U.S. $) | Source of Funds |
|---|---|---|---|---|
| Vernon Johnson, Team Leader | Development Assoc. | 21 | 22,000 | Project |
| Manfred Mueller, Team Economist | Private Consultant | 24 | 8,000 | PD&S |
| Cornelis Stek, RCMO | REDSO/WCA | 10 | N/A | N/A |

2. Mission/Office Professional Staff Person-Days (Estimate) 20

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 5

# A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

| Mission or Office: | Date This Summary Prepared: | Title And Date Of Full Evaluation Report: |
|---|---|---|
| USAID/Zaire | March 4, 1988 | Independent Impact Evaluation of USAID/Kinshasa CIP Grants, February 27, 1988 |

Project Titles

(1) Project 660-0100, Agricultural Inputs Support I
(2) Project 660-0103, Agricultural Inputs Support II
(3) Project 660-0121, Structural Adjustment Support Program

Description of Projects: Each AID grant supports a commodity import program managed by USAID/Kinshasa but implemented through private agro-related firms in Zaire. The imported commodities are to improve directly or indirectly (after processing) the lot of low resource farmers, consumers and wage earners. Other critically important objectives are balance of payments support, generation and productive use of local currency for USAID projects, and encouragement of the GOZ's economic liberalization policies.

Purpose of Evaluation: This evaluation is an annual updating activity to determine the impact of the CIP and the GOZ's economic liberalization program on importing firms and their employees, and low resource farmers.

Methodology: Team members examined Controller records and CIP files. They reviewed a large number of program documents, analytical papers, and prior evaluations. They also interviewed U.S. Embassy and USAID personnel, managers of private importing firms, bank officials, and GOZ officials. Because all funds under grants I and II are disbursed, this evaluation placed most emphasis on the Structural Adjustment Support Grant.

Findings:

(1) General Economic Impact

(a) Balance of Payments and Macro Indicators: When viewed independently impact is marginal, but when viewed as impact on selected private firms, selected use of generated local currency and as a complement to Work Bank and IMF programs, impact is considerable.

(b) Importing Firms and Their Employees: The impact of the CIP on importing firms was positive. Some firms that might have closed were able to keep producing and to maintain employment. Some firms increased employment. The impact on general wage rates was harder to determine but was definitely beneficial to the importing firms.

(c) Small Farmers and Rural Sector: Subsistence farming in Zaire can absorb few imported commodities directly. The significant effects for small farmers resulted mainly from improved roads, dependable farm-to-market transport, inputs like livestock feed and fertilizer and critical consumer products made possible by the CIPs. The major economic impact for small farmers is through the use of local currency generated by the CIPs and used in support of USAID agricultural projects.

(2) Effect on Policy Reforms and Farmgate Prices: Standing alone, U.S. impact on policy reforms is marginal, but when linked with IMF and IBRD conditionalities, impact is considerable. In general, farmgate prices have increased. The price impact on production is most pronounced when linked with access to markets (roads) and concentrated technical assistance for small farmers.

(3) Management and Implementation: A statement by the team's commodity specialist follows. "Implementation and management of the CIP was examined during February 8-19, 1988. They show a dramatic improvement over the past year's evaluation. Generally the program is well managed. The remaining weakness is insufficient end-use checks of imported commodities. A recommendation is being offered."

Lessons Learned:

(1) Useful policy reforms are being applied in Zaire's economy but it requires constant vigilance, and it raises questions about how many conditions should be imposed in a given timeframe.

(2) Commodity Import Programs are a very useful approach to development programming in a country such as Zaire. They provide flexibility by shifting from discrete projects to a program mode and in doing so they engage the cooperation and the economic interests of the private sector in priority areas of development.

(3) However, in order to measure impact of CIPs and policy dialogue with more precision, it will be necessary to include quantifiable indicators in project designs or at least establish an on-going monitoring capability to measure, over time, price changes, production, numbers and other relevant indicators at micro levels.

Recommendations:

RECOMMENDATION NO. 1: An expanded end-use check capability should be implemented by any USAID office other than the CIP office. The evaluation team recommends that this become a standard Controller function.

RECOMMENDATION NO. 2: The CIP office should henceforth require all firms that apply for CIP financing to explain further company-specific impact of imports in terms of production and employment and will thus consider these replies in the selection process.

RECOMMENDATION NO. 3: Within the confines of conditionality as stated in the PAAD of the Structural Adjustment Support Grant (660-0121), the USAID Program Office should determine progress (distinguishing between actual and official) being made and sustained on (1) price controls for industrial and agricultural commodities, (2) control procedures for commodity exports, and (3) the effects of lowered tariffs on formerly protected firms.

## ATTACHMENTS

**K. Attachments** (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

1. Independent Impact Evaluation of USAID/Kinshasa CIP Grants 660-0100, 660-0103, 660-0121.

## COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

XD-AAX-933-A
ISN 56619

# INDEPENDENT IMPACT EVALUATION

OF

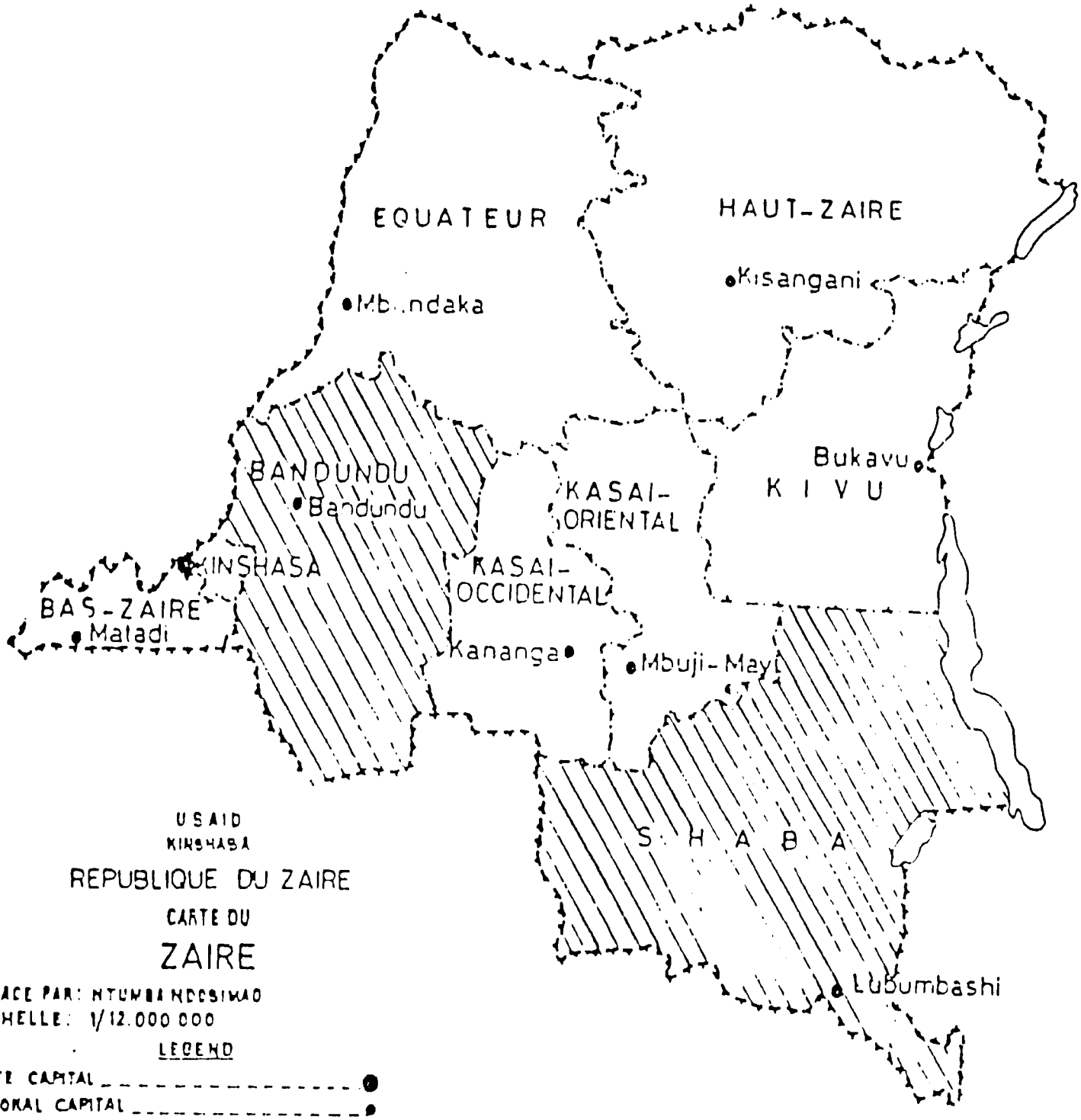
USAID/KINSHASA CIP GRANTS 660-0100, 660-0103, 660-0121

CONTRACT No. IQC 0085-I-00-6098

Development Associates
2924 Columbia Pike
Arlington, Virginia

Kinshasa
February 25, 1988

6




USAID
KINSHASA

REPUBLIQUE DU ZAIRE

CARTE DU

ZAIRE

TRACE PAR: NTUMBA NDOSIMAO
ECHELLE: 1/12.000 000

LEGEND

STATE CAPITAL
REGIONAL CAPITAL
STATE LIMIT
REGION LIMIT
LAKE
REGIONS DE CONCENTRATION FOR AID PROGRAM

7

## LIST OF ABBREVIATIONS

| | |
|---|---|
| AEPRP | African Economic Policy Reform Program |
| AID, AID/W | Agency for International Development, Washington |
| B/L | Bill of Lading |
| CIP | Commodity Import Program |
| DRA | Direct Reimbursement Authorization |
| ESF | Economic Support Funds |
| FSN | Foreign Service National |
| FSAC | Financial Sector Adjustment Credit (World Bank) |
| GAO | General Accounting Office |
| G Z | Government of Zaire |
| IBRD | International Bank for Reconstruction and Development |
| IMF | International Monetary Fund |
| L/C | Letter of Credit |
| L/Com | Letter of Commitment |
| PAAD | Program Assistance Approval Document |
| PDO | Project Design and Operations Office, USAID/Kinshasa |
| PID | Project Identification Document |
| P.L.-480 | Public Law 480, authorizes sale or grant of surplus U.S. agricultural commodities |
| PSC | Personal Service Contract |
| REDSO/WCA | AID's Regional Economic Development Support Office for West and Central Africa, Abidjan |
| SAP | Structutal Adjustment Program, World Bank and IMF |
| SASG | Structural Adjustment Support Grant, AID |
| USAID | An AID office located overseas |
| WHO | World Health Organization |

# EXECUTIVE SUMMARY

Project Titles
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(1) General Economic Impact
(a) Balance of Payments and Macro Indicators: When viewed independently impact is marginal, but when viewed as impact on selected private firms, selected use of generated local currency and as a complement to World Bank and IMF programs, impact is considerable.
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(1) Useful policy reforms are being applied in Zaire's economy but it requires constant vigilance, and it raises questions about how many conditions should be imposed in a given timeframe.
(2) Commodity Import Programs are a very useful approach to development programming in a country such as Zaire. They provide flexibility by shifting from discrete projects to a program mode and in doing so they engage the cooperation and the economic interests of the private sector in priority areas of development.
(3) However, in order to measure impact of CIPs and policy dialogue with more precision, it will be necessary to include quantifiable indicators in project designs or at least establish an on-going monitoring capability to measure, over time, price changes, production, numbers and other relevant indicators at micro levels.

Recommendations:
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RECOMMENDATION NO. 2: The CIP office will henceforth require all firms that apply for CIP financing to explain further company-specific impact of imports in terms of production and employment and will thus consider these replies in the selection process.
RECOMMENDATION NO. 3: Within the confines of conditionality as stated in the PAAD of the Structural Adjustment Support Grant (660-0121), the USAID Program Office should determine progress (distinguishing between actual and official) being made and sustained on (1) price controls for industrial and agricultural commodities, (2) control procedures for commodity exports, and (3) the effects of lowered tariffs on formerly protected firms.

# PREFACE

This paper represents the second independent annual evaluation of the U.S. supported Commodity Import Programs (CIP) in Zaire. Three grants are involved. Two of the grants (carried as projects 660-0100 and 660-0103) were programed in 1984 and 1985 respectively at sums of $10 million each. These two activities were followed in 1986 by a $15 million grant (660-0121) which is titled "Structural Ajustment Support Grant (SASG)". This latter grant comes under the African Economic Policy Reform Program (AEPRP). Using A.I.D. terms these CIP activities are "program grants" rather than discreet "projects".

Each of the grants was funded under the Economic Support Fund (ESF). Eligible commodities for import are those that promote private agro-industries in Zaire. Whereas policy reforms and structural adjustments were recognized for their importance under the 1984 and 1985 CIP agreements, the conditions precedent to disbursement are those common to all such AID documents. No stated requirements or policy changes were included. Instead the aim of grants was Balance of Payments (BOP) support with a premium for rapid disbursement in light of the extreme shortage of foreign exchange (FX).

All CIP grants have generated local currency from sale of the imported commodities. These proceeds are then programmed jointly by USAID and the GOZ Department of Plan for use in sectors such as agriculture to help fund in-country costs of U.S. supported projects.

For its part, Congress has shown great interest in CIP activities in Zaire. The House Sub-Committee on Africa of the Foreign Affairs Committee recommended independent evaluations of these grants and asked that checks be made regarding: (1) The actual effect of the program on farmgate prices, (2) Other beneficial effects that small farmers realize from imported commodities, (3) Availability of the products in Zaire's several regions, and (4) Effects on employment and industrial wages in those firms receiving commodity imports. The evaluation team has kept Congressional concerns in mind.

Responsibility for conducting the evaluation was contracted to "Development Associates", a private firm located in Arlington, Virginia, with Vernon Johnson (consultant) serving as Team Leader. He was assisted by Manfred Mueller, an independent economist who has 14 years of professional experience in Zaire, and by Cornelis Stek, Regional Commodity Management Officer provided by the AID Regional Economic Development Support Office (REDSO/WCA), Abidjan, Ivory Coast.

The approach used by the team was to review all relevant literature including sections of the Foreign Assistance Act (FAA). CIP documentation prepared by USAID/Kinshasa also was reviewed as was GOZ data, analyses and position papers relevant to the evaluation. Subsequently, Team members held meetings with USAID and U.S. Embassy personnel, with managing directors of private firms associated with the CIP, bank officials and GOZ officials. The team's economist made a extensive trip to outlying agricultural areas of Zaire in December 1987 to take note of commodity distribution and to talk with farmers. His knowledge about farming conditions was complemented by that of other persons who have made recent trips to USAID's agricultural project areas.

The team's work was enhanced tremendously by Stephen Vance, USAID Evaluation Officer, and Richard Dreiman, CIP Project Manager who provided technical direction and logistical support.

Recognizing that Development Associates is responsible for the final report and the material therein, this evaluation was nonetheless a team effort where all team members worked tirelessly and where the efforts of others who assisted, including our competent secretary, are due a special vote of thanks.

Vernon C. Johnson, Consultant

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2924 Columbia Pike
Arlington, Virginia

12

# TABLE OF CONTENTS

TITLE PAGE AND DATE
MAP OF ZAIRE
LIST OF ABBREVIATIONS
EXECUTIVE SUMMARY
PREFACE

I. INTRODUCTION 1-3

A. Background - Political and Economic
B. Policy Reforms and the Agricultural Sector
C. U.S. Interests

II. CIP AND THE POLICY REFORM PROCESS 8-12

A. Structural Adjustment Support
B. Projects 660-0100 and 660-0103
C. Principal Features of the Conditiona ity Grant - Project 660-0121

III. CURRENT ECONOMIC POLICIES AND THEIR EFFECTS 13-15

A. Impact of Policy Reforms
1. Exchange Rates
2. Price Controls
3. Export Taxes
4. Tariffs
5. Fuel Pricing
6. Revenue and Expenditure Measures
7. Status of Formerly Protected Industries
8. Trading Practices in Rural Areas
9. Per Capita Incomes
10. Balance of Payments
11. Conclusion

IV. IMPACT OF CIP GRANTS 13-15

A. Data Shortages
B. Impact on Importing Firms and Their Workers
C. Impact of CIP and Policy Reforms on Small Farmers and Farmgate prices
D. Conclusion

B'

V. IMPLEMENTATION AND MANAGEMENT OF CIP 16-23

A. Program Organization, Structure and Staff Resources
B. Current Implementation Status:
1. Disbursements
2. Commodities Imported
3. Counterpart Fund Generation and Utilization
C. Assessment of USAID's Current Management of Major CIP Functions
1. Program Controls
2. Growing Use of CIP
3. Overall CIP Monitoring
4. Commodity Allocations

Bibliography

Table 1 - Export of Agricultural Products from the PNS Area
Table 2 - 1987 Average Monthly Retail Prices in Kinshasa Markets
Table 3 - 1986 Average Monthly Retail Prices in Kinshasa Markets
Table 4 - 1985 Average Monthly Retail Prices in Kinshasa Markets
Table 5 - 1984 Average Monthly Retail Prices in Kinshasa Markets
Table 6 - Commodities Imported under Grant 660-K601
Table 7 - Commodities Imported under Grant 660-K602
Table 8 - Commodities Imported under Grant 660-K603
Table 9 - Sources and Use of Counterpart Funds
Table 10 - Cumulative Commitments on the Three CIPs
Table 11 - Status Report of Grant 660-K601
Table 12 - Status Report of Grant 660-K602
Table 13 - Status Report of Grant 660-K603

Figure 1 - Index of Real Wages

Annex I - Names of Persons Interviewed
Annex II - Scope of Work
Annex III - AID/W - Congressional Correspondence
Annex IV - Sample of Local Firms Benefitting from the CIP
Annex V - GOZ and USAID Financial Management of Counterpart Funds
Annex VI - Institutions and Organizations in Zaire that Deal with CIP
Annex VII - Sample Letter to Potential Importers
Annex VIII - Checklist for Importers
Annex IX - Instructions for Diesel Fuel Importers
Annex X - Memorandum for the Record
Annex XI - Repayment Documents
Annex XII - Sample Arrival Report

14

# I. INTRODUCTION

## A. Background - Political and Economic

At the point of Zaire's independence in 1960, it was commonly asserted that the country was the least prepared among African colonies. Be that as it may, since independence one can say with certainty that few other countries have witnessed more political and economic unheaval. The particular events are fully documented and require no elaboration here. It suffices to say that civil strife, armed rebellion, exodus of skilled expatriates, and lack of political cohesion existed throughout the early 1960s and continued until they were brought under control in the mid 1960s by the new Head of State, General Mobutu.

The ensuing trend toward political stability, however, was not matched by economic stability. In fact during the early 1970s the economic situation worsened. The explanation was partly external reflected in extreme price fluctuations and collapse in international markets for key minerals such as copper. The larger cause for economic deterioration, however, resulted from internal factors led by mismanagement.

The huge size of the country (nearly equal to that part of the United States east of the Mississippi River) and the lack of basic infrastructure and communication facilities in the remote interior would have made economic management extremely difficult even if competent manpower had been available. The absence of such manpower only aggravated the situation. A myriad of conflicting actions and policy abuses followed. Widespread nationalization and Zairianization were announced and applied to most economic enterprises. These moves were accompanied by large direct government investments in major industrial projects such as oil refining and steel. Unaccountably, agriculture received little of the investment splurge, thus a lack of capital coupled with poor management caused all agricultural production, including exports, to fall sharply. On a broader scale price controls, questionable tariffs, faulty exchange rates, rigged markets, and difficulties in obtaining payment for services became standard practices.

Although Zairianization was rescinded in 1976, deteriorating conditions prevailed until 1983 at which time policy reforms were adopted under the guidance of IMF and the World Bank. Through its modest Commodity Import Program initiated in 1984, USAID endorsed these Structural Adjustment measures and where needed added conditionality of its own. Despite some breakdowns in macroeconomic performance in 1986 and 1987, cautious optimism is still expressed by donors.

B. Policy Reforms and the Agricultural Sector

It is noted that impact from the commodity import program is aimed primarily at the rural sector where 70 percent of the population lives and earns a living, mainly from farming. The principal concern expressed by the Congress is the extent to which imported commodities benefit the poorest elements of society, especially small farmers. The Congressional letter pertaining to these evaluations (see Annex II) mad a distinction between actual impact "as opposed to formal and official" impact. This distinction prompts brief comment on policy dialogue as it applies to the agricultural situation in Zaire.

Policy dialogue as an approach to economic development is confined primarily to macroeconomic determinants while little is said about the microeconomic conditions where small farmers operate or the difficulty of transmitting policy and market signals to them effectively. Problems arise in the execution of policy.

One problem with policy execution at the level of small farm operations is the huge size of the country and the absence of infrastructure. Contact between Kinshasa and far-away regions is limited. Lack of roads, bridges, deterioration of river and rail transport, frequent fuel shortages, and lack of communication such as telephones add greatly to the problem of policy absorption and execution. The problems of scale and lack of infrastructure are further complicated by layers of bureaucracy between Kinshasa, the lowest units of administration, and farmers.

A second problem with policy execution is the nature of farm organization. In Zaire one finds large plantations such as palm oil. These are complemented by a very modest number of smaller but still substantial private "enclave" farms usually managed by expatriates. Although these larger farms have deteriorated somewhat, they still utilize purchased inputs and production is guided by market forces. The plantations and larger farms are surrounded by a multitude of traditional farm units in villages. These farms range in size from 1 - 2 hectares. Small size and low resource operations remain the lot of these farmers in spite of huge acreages of unusued arable land. Crops raised by small farmers are rainfed and thus are totally vulnerable to biological and weather risks. Farmers practice slash and burn land clearing and shifting cultivation. Their capital consists of a few crude handtools combined with human energy. In other words, the response capability of such farmers is low unless they are assisted at micro production level by physical access to markets, intensive agricultural extension activities, applied agricultural research, improved farm equipment, and farm management training. It is common knowledge that small farmers in a market zone approximate to urban places and small farmers where there is a high concentration and integration of aid projects (such as in North Shaba) are the ones where policy impact is greatest.

Zaire has great need and absorptive capacities for both policy reforms (for economic stabilization) and agricultural production emphases. It is not either/or but rather a balance between sound policies and intensive aid activity at micro level that will narrow the gap between actual and official impact engendered by CIPs.

C. U.S. Interests

With a population of over 30 million and a per-capita income of U.S. $170, assistance to Zaire can be justified pure y on humanitarian grounds. Beyond this, however, Zaire is strategically located in the so-called "heart" of Africa. Among its natural resources are a wide variety of minerals such as copper, cobalt, diamonds, and gold, not to mention timber, large excess areas of arable land, and a huge potential for hydroelectric power. Other interests pertain to Zaire's friendly relations with western countries, including U.S. allies, its willingness to assist in the Middle East peace process and its help given to refugees.

Addressing Zaire's current economic problems is of course a major interest for USAID, and the CIP is central to Mission programing. CIP grants increased from 23 percent of total U.S. assistance to Zaire in 1984 to 33 percent in 1985 and 55 percent in 1986/87. The impact potential from the U.S. CIP program however, should not be overemphasized. As mentioned, resource contributions by IMF and the World Bank overshadow by far the modest CIP contribution from USAID. Nonetheless, this funding method has provided a way for USAID to participate in the policy dialogue mainly in conformance with IMF's and the Bank's structural adjustment guidelines, and to discuss conditionality as it applies to its own program.

17

## II. THE CIP AND THE POLICY REFORM PROCESS

### A. Structural Adjustment Support

U.S. assistance in Zaire consists of Development Assistance (DA), Food Aid (PL-480), and assistance under the Economic Support Fund through CIP grants as are being evaluated here. The imported commodities consist of a few items used directly in villages such as corn grinders, but for the most part the commodities imported under the CIP benefit farmers indirectly through the provisi n of materials for the manufacture of such things as truck tires - used almost entirely for interior traffic - caustic soda mixed with local palm oil for manufacturing cheap soap used in villages, soyameal for animal feed, a machine for preparation of cheap but nutritious baby food, and bulk paper for the manufacture of cartons used for marketing farm produce. Not only are these products used in rural areas of the country but the local currency generated is used to achieve goals of up-country AID projects.

### B. Projects 660-0100 and 660-0103

The budgets for CIP grants 660-0100 and 660-0103 are now exhausted. All but a small amount of the local currency has been programmed. As noted those grants contained only standard provisions precedent to disbursement of AID funds. However, because USAID supports conditionality contained in the IMF and World Bank Structural Adjustment Program, the evaluation team examined USAID's management practices under these two projects in considerable detail. Documents in the CIP project manager's file were sufficient to show adequate oversight of the movement of commodities through the ports and to show that counterpart funds in the amounts specified were deposited in the specialized account as required. In addition it appeared that the Mission has maintained adequate control over counterpart funds and channeled them to agreed upon AID projects where agricultural policy reforms are being implemented.

The few weaknesses encountered relate to slow disbursement of the AID grants between 1984-86, and an insufficient number of end-use checks on the commodities imported under CIPs 0100 and 0103.

### C. Principal Features of the Structural Adjustment Support Grant

The AEPRP grant (660-0121) was approved by AID/W in September, 1986. It represents a shift in USAID programming from BOP and local currency support to policy reforms and policy dialogue with GOZ. Points of conditionality are laid out in detail. The 1987 evaluation noted that "the first implementational letter, which would initiate the grant had not been sent to the GOZ as of February, 1987".

There was uncertainty about whether economic policies listed in the grant agreement (especially on exchange rates) would be followed. In due course conditions precedent to disbursement of funds were met to the satisfaction of USAID at the end of March, 1987. Thus disbursement commenced.

The following covenants and conditions precedent are hereby quoted from the AEPRF Grant Agreement:

Section 2.2. Conditions Precedent to the First Tranche

(b) Economic Policy Measures. Prior to first disbursement under the First Tranche under this Grant, or to the issuance by A.I.D. of documentation (such as Letters of Commitment) pursuant to which disbursement will be made, the Grantee will furnish written documentary evidence in form and substance satisfactory to A.I.D. that the Grantee has implemented the following measures:

(i) The Grantee will adopt revenue and expenditure measures acceptable to AID that are sufficient to offset recently announced civil service salary increases.

(ii) The Grantee will have revised the schedule of import tariffs and put the revised schedule into effect. Except as A.I.D. may otherwise agree in writing, no tariff in the revised schedule will exceed sixty (60) percent (ad valorem) and no tariff will be less than ten (10) percent (ad valorem).

(iii) The Grantee will have eliminated taxes on exportation, except as A.I.D. may otherwise agree in writing for certain items.

(iv) The Grantee will have established and put into effect a simplifed and streamlined control procedure for exports, acceptable to A.I.D.

Section 2.3. Conditions Precedent to the Second Tranche: Further Economic Policy Measures

Prior to disbursement under the Second Tranche of this Grant, or to the issuance by A.I.D. of documentation (such as Letters of Commitment) pursuant to which such disbursement will be made, the Grantee will, in addition to meeting the Conditions Precedent to disbursement of the First Tranche as stated in Section 2.2., present a four year program of tariff reform acceptable to AID which will aim at establishing uniform rates of protection of about 30%.

In addition, there are five covenants of a continuing nature, four requiring adherence to the government's liberalization policies and one pertaining to counterpart deposits:

Section 5.8. Economic Policy Measures

(a) The Grantee, through the Bank of Zaire, will continue to use a free, interbank market system to establish floating exchange rates.

(b) The Grantee will not, except as A.I.D. may agree in writing, impose additional licensing requirements r quantitative restrictions on imports.

(c) The Grantee will not, except as A.I.D. may agree in writing, impose new price controls on Zairian agricultural or industrial products, ex ante or ex post.

(d) The Grantee will maintain a system of importation for refined petroleum products permitting direct private importation and a system of pricing of individual fuels within Zaire that recovers full costs for each fuel from its purchasers.

(e) The Grantee will keep in effect during the life of the agreement the reforms described in Section 2.2 (b).

A blanket source and origin waiver was signed by the A.I.D. Administrator permitting the entire $14.8 million to be used for imports from Selected Free World sources (Code 941) (lesser developed countries of the free world). According to the waiver authorization, this is to "facilitate timely disbursement of program funds by increasing the interest of importers in the CIP." The remaining $200,000 will be used to finance studies and research in support of the program.

Goods authorized to be imported include raw materials (including petroleum products), spare parts and equipment for use in the agricultural and agro-industrial sectors in Zaire.

This evaluation of the grant also covers the conditions recommended by the subcommittee on Africa of the House Foreign Affairs Committee (see correspondence between the Congress and AID/W in Annex II).

It is clear that the Mission is following a process under its Commodity Import Program. In 1984 under Project 660-0100 no conditions precedent referred to policy reforms. The Commodity Import Program in 1985 was simply an extension of conditions found in the previous grant. The Structural Adjustment Support Grant in 1986 represented a major shift in emphasis. It focuses on the private sector and provides an explicit endorsement of IMF and World Bank conditions plus conditionality pertaining to disbursement of its own funds.

20

Forward thinking by USAID is aimed at structural adjustment not only of the private sector but also of the financial sector by seeking more risk lending and financial support for medium and small scale enterprises and privatization of the economy at an accelerated rate. Thus the process of policy reform and policy dialogue will be intensified.

## III. CURRENT ECONOMIC POLICIES AND THEIR EFFECTS

By 1983 and after there had been a definite change toward policy reforms and a turnabout in economic management. Since then the GOZ has continuously attempted to make fiscal and monetary changes. GDP has begun to rise slowly, the incentive structure has been improved, official controls over exchange rates and prices have been relaxed or eliminated, and such problems as unrealistic fuel pricing have been given attention. In 1984 and 1985, improvement in important indicators was notable, but macroeconomic conditions deteriorated in 1986 and 1987. The servicing of government debt and the attendant shortages of foreign exchange for other uses are problems that undoubtedly will continue into the foreseeable future.

Conditionality: Although conditionality for the Structural Adjustment Support Grant is discussed above, it can be reemphasized that the concerted actions of all donors in support of conditions negotiated by the IMF and the World Bank will be more likely to have the favorable results than bilateral donors acting independently. The covenants that are included in the AID Structural Adjustment Support Grant strongly support World Bank guidelines. They permit AID to discuss mutually attractive policy reforms in advance with the World Bank and to retain an active role in the dialogue, regardless of modest funding levels. The status and effects of these policy reforms are discussed directly below.

### A. Impact of Policy Reforms

1. Exchange Rates: Exchange rates that existed prior to policy reforms overvalued the Zaire as a currency and led to a condition which discouraged exports while encouraging imports, and it led to abuses of the system as firms attempted to obtain scarce foreign exchange. With the beginning of serious policy reforms in 1983 the Zaire has been devalued - in effect a floating rate - which has been in effect since 1983. In general the margin between the official exchange rates and those in the parallel market has remained fairly stable. The process of setting exchange rates is exercised by the Bank of Zaire which determines its buying and selling rates for foreign exchange at meetings held weekly with representatives of commercial banks. Thus the floating rate continues though at times there seems to be pressures from outside to retreat back toward the previous systems of fixed rates. Of course pressure from donors is just the opposite and GOZ has generally been firm in its resolve. One obvious need is additional training such that economic and financial issues which underpin policy reforms will be better understood by Zairian officials.

2. Price Controls - Prior to policy reforms, official price controls existed for both industrial and agricultural commodities. However, the approach differed. Prices for industrial commodities were based on ex-ante cost considerations. It was not until 1981 when ex-post cost pricing came into effect. Whereas this change was a great improvement permitting firms to adjust their prices more quickly, it was only an intermediate step toward market determined pri es. A form of price control continues to exist as seen by official nuisance reviews of financial records and other delays and inconveniences.

As of 1982 all controls were lifted from agricultural prices. The result has been encouraging. Price control officers seem to be monitoring the situation closely, thus minimizing trader abuses in rural areas. It is noticed, however, that in areas close to accessible market centers market price effects take hold more quickly, whereas in remote areas price fixing continues for a longer period. It is therefore worth remarking again that infrastructure which provides market access and decreases the costs of marketing, and at the same time improves technology which permits the farmers to produce more must go hand-in-hand with policy reforms.

In the rural areas visited by the team's economist, it was found that farmers were aware and understood the benefit of market prices. Some said they were now receiving better prices for their farm commodities and were now producing commodities such as corn for market where heretofore it was produced mainly for home consumption. In some areas missionaries urged farmers to hold their non-perishable commodities to await higher prices.

Several other harmful traditional practices seem to be disappearing in light of price liberalization measures. Obligatory cultivation and exclusive trading zones have almost disappeared. Under obligatory cultivation extension agents instructed farmers that they must cultivate, for example, a certain area of corn for market regardless of price. Exclusive trading zones were areas over which certain merchants or companies were given monopoly rights.

3. Export Taxes: Before policy reforms taxes were imposed on all exported products, but by July, 1986 all of them had been abolished with the exception of taxes on the export of minerals, crude oil and wood products. These are, however, the most important sources of revenue and for this reason it is unlikely that they will be removed soon. The special tax on coffee, however, has finally been discontinued.

Although export taxes have been abolished, many minor annoying requirements remain. An exporter faces a battery of paper requirements by a host of functionaries each of which causes delay in shipment and ultimate delay in payment for goods being exported. In addition producers of export commodities may have to face various new local taxes imposed by local authorities under political decentralization.

4. Tariffs: A condition precedent that was to be imposed prior to disbursement of the first tranche of funds under the AEPRP grant was satisfaction on the part of AID: "that GOZ has revised the schedule of import tariffs, such that except as AID may agree in writing, no tariff will exceed 60 percent (ad valorem) and no tariff will be less that 10 percent." During the time of this evaluation, it was reported that this condition had been met and surpassed in th t the upper limit of tariffs moved 50 percent in September, 1987.

5. Fuel Pricing: One of the covenants under the AEPRP grant stated that GOZ was to maintain a system of imports for refined petroleum products that permitted direct private importation and full cost pricing of fuel. Under pre-reform measures fuel prices were set at uniform levels throughout the country regardless of transport costs. For the most part competition between oil companies was nullified. By and large these untenable conditions have been removed. Full cost pricing is practiced, but still annual contracting is maintained such that if one company is awarded the contract, all other oil companies are obliged to distribute products imported by that company. This covenant should continue to be carefully monitored.

6. Revenue and Expenditure Measures: Little information was found which indicates trends in revenue since policy reforms were launched. The team was informed that some taxes have increased whereas some revenue such that coming from mining and duties depends on the volume of business in a given timeframe.

As for Government expenditure certainly large government investment in industrial projects has ceased. On the other hand after fixed budgetary requirements are met such as debt servicing, priorities for remaining resources go mainly for a few high priority items such as transport, military, and requirements of the President's office. The team is informed that less than one percent of the National budget is allocated for agriculture although the President himself has declared it "the priority of priorities". In years past, it was common in Zaire for companies and plantations to establish self-maintained and for the most part self-sufficient areas receiving little if any government assistance. Except as donors are able to fill the resource gap in these now neglected areas, the effects of policy measures there will be constrained.

7. Status of Formerly Protected Industries: The PAAD for the Structural Adjustment Support Grant refers to a study by the Ministry of Plan supported by the World Bank covering 26 industries in 1985 wherein the effective rates of protection these firms received varied from 20 percent to 1,800 percent with an average of 300 percent. This is an example of industrial policy where reform was needed most.

24

As tariff protection is brought under control the short-run effect may be a decrease in output if inefficient firms cease to operate at a rate faster than they can be replaced by efficient operators. In the long-term, however, the entire system will benefit.

8. Trading Practices in Rural Areas: Monopolistic practices such as exclusive trading areas have, as noted, been discontinued. Many of the local firms that receive U.S. commodity imports have depots p-country from which they distribute the manufactured products for trade in the area. In other cases traders transport commodities up-country themselves and distribute them to smaller shops for retail sale. Buyers in rural areas are aware of price margins, however, and can therefore protect themselves.

One element of retail trade that has disappeared is the monopoly plantation store for which there was no competition or price control.

9. Per Capita Income: The World Bank uses $170 as a current figure for per capita income in Zaire. This is lower than most African countries. No evidence was found which would indicate that policy reforms have so far had a significant impact on individual incomes.

10. Balance of Payments: In 1984, when project 660-0100 was initiated, the BOP position improved, but obviously with no effect from U.S. commodity imports. The BOP position deteriorated somewhat in 1985, recovered slightly in 1986, but worsened in 1987. Exports in 1987 deteriorated significantly led by returns to coffee which, because of both depressed prices and lower production were said to be off by U.S. $150 million. On the other hand, production of minerals such as copper and cobalt increased but returns decreased due to a price collapse. Undoubtedly the foreign exchange situation would have been far worse had it not been for the release of funds by the World Bank and the comparatively smaller release by the USAID under the AEPRP grant.

The two earlier grants (660-0100 and 660-0103) provided disbursements of U.S. $20 million over the past three years. The average of $6.6 million per year is small in light of Zaire's BOP gap which will approximate U.S. $900 million in 1988. The addition of U.S. $15 million generated in 1987 by the AEPRP grant while small is helpful as a complement to IBRD's and IMF's far larger inputs.

Perhaps a more relevant base for comparison is the annual foreign exchange needs for private sector firms. This is estimated by the World Bank at U.S. $300 million per year. At that level of need, the AID input becomes much more important especially when linked with other assistance.

25

11. Conclusion: During the late 1960s and most of the 1970s, Government interventions on economic policy in Zaire generated ever increasing distortions and finally severe disruptions in the economy. Many inefficient enterprises were attracted by excessive tax privileges and tariff protection. Price controls seriously discouraged industrial and agricultural production creating severe shortages of goods and mounting inflation. At the same time, in face of ext eme shortages of foreign exchange and internal credits, productive capacities of local firms became seriously underutilized. Overvalued currency made exports more difficult and shifted the economy more toward ever increasing imports, even of basic foodstuffs. External and internal financial imbalances resulted, all of which led to an erosion of confidence in the economic future of the country. While there has been a definite turnabout toward policy reform stimulated by outside pressure, much remains to be done.

In spite of the difficulties that lie ahead, there is no doubt but that the Structural Adjustment Programs and the policy dialogue are having a positive effect. Economic stabilization and reform programs undertaken in 1979 and more decisively since 1983 have improved the general incentive structure. They have eliminated most of the severe economic distortions, broadened the base of market operations, and have led to more competitive pricing with signs of improved efficiency. At the beginning of the reforms, capacity utilization in industrial plants was said to be as low as 30 percent, compared with a present estimate of 50 percent. Even in the absence of updated agricultural data it is noticable that severe shortages and extreme price fluctuations of basic food items have disappeared and the import of food has diminished. The easier elements of the reform package such as tariff levels have been effected while more difficult measures such as the freeing of exchange rates come harder. Problems of inconsistency and the real extent of commitment will undoubtedly continue and will have to be dealt with.

Fortunately for Zaire, the IMF, the World Bank, and a considerable number of important donors including the United States are maintaining or expanding their assistance programs. In recent years the World Bank alone has advanced credits in excess to U.S. $200 million and is presently considering a Financial Sector Adjustment Credit (FSAC) that may approach U.S. $50 million. The Structural Adjustment Program will continue to oversee the current list of reform measures such as public expenditure and exchange rates and will begin to place more emphases on Financial Sector Reforms and Civil Service Reforms.

In general, content of the policy dialogue and the conditionality that supports it are becoming more detailed. Pressure on the GOZ to maintain momentum undoubtedly will have to continue. While in Kinshasa the evaluation team heard comments whether, given Zaire's shortage of manpower and other resources the growing numbers of conditions are exceeding its capacity. This may be a question to consider.

## IV. IMPACT OF THE CIP GRANTS

Management of the CIP in Zaire is discussed at length in the following section of this report. This section touches briefly on impact of the grant programs on importing firms and their employees and on elements of the rural poor such as small farmers. These have been put forward as special points of interest to the Congress.

In Zaire almost U.S. $35 million have been disbursed (or committed for disbursement) todate. This ave ages out at almost U.S. $9 million over a period of four years.

### A. Data Shortages

A reliable assessment of impact in the context of policy reforms would require field gathered data in the form of time series showing quantifiable changes. Farmgate prices, production responses, numbers of people using roads built by commodity imports, changes of important consumer items such as increases of metal roofs on houses, numbers of new sewing machines, and other relevant measures are the kinds of data needed. Unfortunately no such data were found in usable form. Therefore it was necessary to use whatever data could be found and to complement it with rapid visible assessments.

### B. Impact on Importing Firms and Their Workers

A fairly broad spectrum of firms have qualified to import under the CIP, the main criterion being that they meet the definition of agro-industries or agro-service businesses. During the evaluation the team visited five representative firms in Kinshasa (Annex IV). In December, 1987 the team economist, in anticipation of the evaluation made an up-country visit to Shaba and Bandundu Regions where AID agricultural projects are concentrated.

The purpose of visiting firms in Kinshasa was to observe their operations and to discuss the pros and cons of the Commodity Import Program. In light of the acute shortage of foreign exchange all of these firms stated that without the CIP, already idle capacity in their plants would have increased. A Zairian owned factory that produces cartons for transporting farm produce and other commodities said that their stock was exhausted and that the plant had been closed down. CIP funding enabled the firm to import raw materials and start production again. Thus over 100 jobs were preserved. A soap manufacturer said that the caustic soda provided for his factory not only helped with employment in the Kinshasa plant but also provided additional employment to palm oil producers, transporters, outlying depot managers and traders employed. A new machine to process nutritious baby food (sold at one-sixth the price of the

imported equivalent) created 50 new jobs at that operation. All the firms visited said demand for their products was high. The degree of impact varies between firms. It is less for large multi-product firms and for all firms which proportionately use a small amount of imported products.

There also is interest in knowing the availability of assisted imports in Zaire's various regions. Managers of the firms visited were asked directly about this. They ackn wledged that Kinshasa is by definition the principal market in the country but that on average more than 50 percent of goods produced are transported to depots in most of the provinces and from there distributed to traders down to the level of small shop keepers in villages.

The evaluation team was unable to acquire new data on wages or employment. Figures gathered by the team's economist suggest that employees in the private sector numbered 788,000 in 1984 and based on past figures this figure has not changed significantly. The average factory wage in Kinshasa is given as roughly U.S. $35 to $40 per month. The commodity importers who were visited said they were paying that amount and more. Again figures provided by the team's economist (Figure 1) indicate that both private and public sector wages/salaries fell sharply during the early 1960s, stabilized, then rose significantly during the late 1960s. With nationalization and Zairianization in the 1970s wages fell continuously, then rallied somewhat in the 1980s. If these data are even partially reliable, wages in the private sector have performed better than in the public sector under policy reforms.

One must also be aware that salary "perks" in Zaire (e.g., housing, medical, transportation) may total more in value than the salary itself. In any case, one's standard of living in face of inflation is hard to maintain. Using 1984 as a base year, 1987 prices of locally produced agricultural commodities in Kinshasa had risen 245 percent between January and December (Table 2).

C. Impact and Policy Reforms on Small Farmers and Farmgate Prices

In the absence of time series on production, prices and other changes the evaluation team's economist travelled to areas that he has observed for more than a decade. He is convinced that the liberalization of agricultural prices, linked with other changes such as access to markets, has had a significant positive effect on small farmers in the zones visited. He noted a greater diversification of crops, the addition of more livestock, newer handtools, and more consumer goods than ever noted in the past. The latter includes new lamps, corrugated roofs, bicycles, and even radios and newer clothes.

Figures extracted from USAID's 1986 final report of the North Shaba Development Project (admittedly official data) seem to be relevant (Table 1). They go back to the first years of policy reforms which coincided in time when AID initiated the project.

The aim was to improve the lot of small farmers in that part of Shaba Region. As seen from the table, repaired roads were increased from zero to more than a thousand kilometers. Maize production increased from 6 thousand tons to 50 thousand. Production of other crops also increased. Persons knowledgeable about the project say that agricultural researchers have released improved maize seed in Shaba Region that without other improved inputs can double yield th s with suitable rainfall a $4 dollar investment in improved seed could result in a $75 return. USAID asserts that such impact is made possible by price liberalization, opening up the market through road construction and enlightened research and extension.

Conclusion: In summing up it is clear that the CIP program is definitely beneficial to importing firms, many of which are medium to smaller operations. It is equally clear that products produced locally move to the most profitable markets and these are where people are concentrated. Nonetheless, Zaire is a very large country and most of the people live in the rural provinces. The team is satisfied that a significant proportion of the available commodities find their way to up-country depots where they are in turn marketed over wide areas. CIP commodities primarily impact on small farmers indirectly by way of processed goods or services, not directly for immediate use.

The greater benefit to small farmers is through the generation and subsequent use of local currency. Were it not for the significant amounts which derive from PL-480 and CIP sales, it would be impossible to maintain a creditable DA agricultural program in Zaire. Both the country's budgetary crisis and its long habit of agricultural neglect support this conclusion.

## V. IMPLEMENTATION AND MANAGEMENT OF CIPS

This section examines implementation procedures and overall management of CIPs. The first part deals with the division of organizational responsibilities within USAID. The second part looks at three basic indicators of implementation progress: (1) the grant disbursement rate, (2) the commodities imported, and (3) the local currency generation. The final part examines aspects of the program where improvement is need d.

### A. Program Organizational Structure and Staff Resources

Factors which constitute the basic underpinning of effective CIP management are clearly defined office procedures and responsibilities and adequate staffing.

The USAID CIP office has made some staffing changes in response to last year's evaluation/recommendations.

The current staffing consists of:

1 full time CIP Manager (PSC)
1 full time commodity specialist (FSN)
1 full time commodity assistant (local PSC)
1 full time secretary (FSN)

In contrast to many CIP programs, USAID/Zaire closely monitors every step taken by importers during the procurement cycle. Proforma invoices submitted by importers are examined and compared prior to being approved in writing by the CIP office. Similarly, import licenses and bank letters of credit require USAID's approval prior to issuance by commercial banks. The review process is to ensure that proposed transactions are in conformity with stated program purposes and in compliance with the provisions of A.I.D. Regulation 1. To support these procedures, a well organized filing system starting from the inception of the program has been established and maintained. Implementing documents can be easily located and cross-referenced when necessary. The overall system of checks and controls has proven to be a valuable tool for the day-to-day implementation of the program.

For the implementation of grants 0100, 0103 and 0121, a CIP office was established as part of the USAID's Project and Design Operations office. The chain of command flows from the Deputy Division chief to a Personal Services Contractor who functions as the CIP manager and supervises an experienced foreign service national commodity specialist, a foreign service national commodity assistant and a foreign service national secretary.

In addition, USAID has profited from a series of short-term contracts with a retired Commodity Management Officer who has spent several months per year over a 3-year period advising USAID on CIP matters. Finally, the REDSO/WCA Regional Commodity Management Officer in Abidjan, provides additional support through periodic visits to Kinshasa.

The USAID Controller monitors dollar disbursements based on USAID records on W-214 reports received from the Financial anagement Office in AID/W. The Controller also has responsibility for monitoring the generation of counterpart funds from various P.L. 480 and CIP sources and the release of counterpart funds for project use. Once counterpart funds are released to the end-users, the various project accounting systems reconcile actual disbursements and report expenditures back to the Controller's office. There, a Personal Services Contractor monitors counterpart fund uses and assists users to establish sound financial management systems. Thereafter audits of counterpart funds are undertaken on a periodic basis or as problems arise (see Annex V).

A recent GAO audit (August 1987) stated that USAID had established adequate controls over counterpart funds and the evaluation team has found that a proper audit trail is in place between CIP office and Controller's office to monitor all deposits and disbursements into the trust fund for counterpart funds.

B. Current Implementation Status

1. Disbursements. A desired characteristic of any CIP is the rapid infusion of capital and goods into a country's economy. Accordingly, an important measure of implementation status is the rate of disbursement of CIP dollars by USAID.

The first CIP grant (0100), was signed in July 1984 for $10 million. The first commitment was recorded by A.I.D. in February 1985. As of December 31, 1987, commitments for commodities totalled $8,846,830 (Table 10).

Program grant 0103 was signed July 1985 for $10 million. The first commitment took place in June 1986. As of December 31, 1987 total commitments for commodities were $8,807,752. For both grants, the terminal commitment date was extended to January 1, 1988. This date has been reached at the time of this evaluation and USAID is in the process of deobligating remaining funds for both grants and reobligating to grant 0121. Administrative and research expenses for each grant amount to roughly $1,000,000. In CIPs 0100 and 0103 approximately $700,000 uncommited. Considering funds left from shipments made about $1,000,000 remain to deobligate and reobligate.

31

Program grant 0121 in the amount of $15,000,000 was signed in September 1986 and conditions precedent for first tranche disbursement were met in April and May 1987. First commitment under grant 0121 was made in June 1987 and as of January 31, 1988 a total of $13,849,762 has been committed. Administrative and research expenses allocated under this grant are $200,000 with a balance remaining of uncommitted funds of approximately $1,000,000. Terminal disburseme t date of grant 0121 is October 1, 1988.

In summary, of the combined total of funds available under grants 0100, 0103, and 0121 there is currently approximately $2,000,000 still uncommitted.

There are a number of reasons why the rate of disbursement for the first two CIP's were slower than expected. First, one year was taken up in establishing various implementation mechanics: meeting of conditions precedent, issuance of bank circulars by the Central Bank, establishment of financing documents, instructions to importers, identification of sources of supply, and obtaining quotations. Commodities began to arrive in country the second year. At about the same time, another $10 million under the second grant became available while there was still $9 million undisbursed under Grant 0100. Another important factor was that U.S. regulations replaced the traditional ties between Zairian importers and European suppliers, ties that are reinforced by language and fast shipping schedules.

A third factor was the high-valued U.S. dollar which, until recently, made U.S. exports non-competitive in world markets. High U.S. prices coupled with the cost in time and money of doing business through A.I.D., compounded by the stagnation of Zaire's economy, slowed demand for CIP goods. However, the situation is changing as evidenced by the rapid commitments under Grant 0121.

The three main factors contributing to this dramatic reversal in the disbursement of committed funds were:

1. A concerted effort by the CIP office to make the program known to a broader base of importers who are either associated with or in direct support of agricultural operations. A notice was prepared (Annex VII) and sent out to approximately 150 potential companies. In addition American suppliers were made aware of business opportunities in Zaire through the AID Procurement Information Bulletin.

2. The exchange rate of the U.S. dollar against major currencies has made the U.S. supplier more competitive in the world market.

3. The chronic shortage of hard currency in Zaire greatly increased the demand for foreign currency to purchase much needed raw materials to support the agricultural sector.

2. Commodities Imported. Tables 11-13 show the commodities which have been imported into Zaire under grants 0100, 0103 and 0121. Locomotives and steel were also included as eligible items in the PAAD but were not purchased under the CIP. In all 3 PAADs priority was given to imports which would improve agriculture and agriculturally related transportation infrastructure. Over 80% of the commodities imported fall within that priority, whereas 20 percent are ommodities that have improved agro-business related activities.

The PAAD requires that priority be given to transactions of more than $100,000 and limits the smallest acceptable transaction to $20,000. The average transaction size is $170,000 and $178,000 for the 0100 and 0103 programs, respectively. The program did, however, accept transactions below $20,000 in the case of 0103 for several types of agricultural equipment and spare parts, as programed commodities were imported by private importers. As was anticipated in the PAAD, some of the equipment imported by private distributors was sold to a public sector entity (Office des Routes).

However the average transaction in grant 0121 shows a dramatic increase to $355,000 per transaction. This increase was largely due to the inlusion of source/origin code 941 in the grant agreement. This enabled the importers to bring in trucks and tractors made by Ford Motor Company (in Brasil, unavailable in U.S.), fertilizes from Swaziland, caustic soda from Brasil, etc.

The broader base of importers, as a result of the mailing prepared by the CIP office, also influenced the increase of the amount per transaction.

Initially under CIPs 0100 and 0103 the Payment terms offered to CIP importers were:

(a) Twenty percent payment of the local currency equivalent of the dollar value of the transaction, at the time of issuance of a letter of credit and at the official rate of exchange in effect on the date of the payment.

(b) Thirty percent payment against release of shipping documents by the local bank at the rate of exchange in effect on the date of the second payment.

(c) Fifty percent payment within 180 days of the above second payment at the same rate of exchange as (b).

In response to Recommendation No. 2 (1987 Evaluation) additional payment terms were offered to CIP importers. Those terms are:

(a) Twenty percent payment of the local currency equivalent of the dollar value of the transaction, at the time of issuance of a letter of credit and at the official rate of exchange in effect on the date of that payment.

(b) Thirty percent payment against release of shipping documents by the local bank at the rate of exchange in effect under (a).

(c) Fifty percent payment within 90 days for U.S. source commodities and 60 days for non-U.S. sourced commodities at the rate of exchange in effect under (a) (Annex XI).

These additional terms were given to encourage private importers to participate in the CIP by fixing the exchange rate at the opening of the transaction and thus eliminating the exchange risk. They apply to end-users and traders alike.

This allows traders and end-users to establish their costs basis prior to arrival of the goods and determine a selling price based on those costs, while at the same time it eliminates the risk of potential losses due to drastic currency fluctuations that have taken place in recent years.

3. Counterpart Fund Generation and Utilization

Table 9 shows the sources and uses of counterpart funds during Calendar Year 1985, 1986 and 1987. As a source, the three active CIP's contributed 13%, 24% and 31% of the total local currency generations in 1985, 1986 and 1987 respectively.

Agriculture absorbs the largest proportion of the funds 20.6% in 1985, 30.4% in 1986 and 34.2% in 1987. Health sector investments and support to PVOs, NGOs and relief activities have been the other major recipient of counterpart funds. Health sector investments were about 20.4% over this time period. Support to PVOs, NGOs, and relief absorbed about 7.7% over the same period. Support to the USAID mission and to Zairian institutions absorbed roughly 12.9% and 6.4% of the investment respectively.

There is an increased demand for counterpart funds as the GOZ budget availabilities are restricted by IMF requirements. Counterpart funds provide an interim source of support until more permanent financial arrangements can be made by the GOZ. These demands on counterpart funds can be expected to rise in the foreseeable future, thus increasing the importance of CIP-generated counterpart funds to the total.

C. Assessment of USAID's Current Management of Major CIP Functions

1. Program controls: Given the general environment within which this program operates, the high degree of USAID control is observed. USAID has made staff available to process approvals expeditiously. Approvals rarely require more than one day. Present management has required that the CIP staff be present in Kinshasa most of the time. This has limited the time that CIP staff have to carry out detailed end-use checks in the interior of the country. The evaluation team was informed that regular inspection of commodities were, nevertheless carried out in Kinshasa, Lubumbashi, and the immediate areas near these cities.

As reliance on commodity imports is increasing in overall Mission programing thus end-use controls will be more and more important. Maintaining this degree of control will require additional funds and staff to perform program functions requiring travel and absences from Kinshasa.

2. Growing Use of CIP: In response to recommendations made in last year's evaluation the staffing in the CIP office has been reorganized and additional people have been added. The staffing pattern was discussed earlier in the evaluation.

The approach developed, in attracting a broader base of end-users and traders to utilize the CIP program has been quite successful. Not only have the funds under grants 0100 and 0103 been committed, but 70% of the funds under grant 0121 have been committed in a timespan of 8 months.

Currently on file in the CIP office are requests for funding from other importers. These can not be processed at this time, because of the lack of additional funds. During site visits with cooperating firms, requests were made on numerous occasions for additional assistance and questions on when funds would become available again. The success in implementation of Recommendation No. 3 (1987 Evaluation) has been so great that there currently are more applicants than funds available.

3. Overall CIP monitoring: The monitoring function of the CIP program has greatly improved during the last year. All files reviewed have proper documentation regarding competitive pricing and/or proformas. In the case of proprietary procurement the proper waivers were processed.

An audit trail was developed to check on payment by the importer to his bank and the final deposit of counterpart funds to the trust account at Citibank. This information is forwarded to USAID's Controller's office where it is reconciled against bank statements. A monthly status report is prepared by the CIP office for distribution to the Director, Program Officer and Controller reflecting the status of each grant (Tables 11-13).

The arrival accounting, mentioned in Recommendation No. 9 (1987 Evaluation), has been put into effect.

By changing the bill of lading to a through bill of lading all commodities are now being shipped to Kinshasa as opposed to Matadi. Custom clearance is performed in a bonded warehouse in Kinshasa and an on-site inspection is made by a CIP office representative.

The inspections concentrate on the correctness of goods received, quality, amount and general condition. An arrival report is completed (Annex XII) which becomes part of the permanent file. It is noted again that one area, which is still limited is the end-use survey on goods that have been sold or shipped to the interior of the country. In a number of cases it is impossible to make end-use checks on commodities i.e., kraftlinerpaper, which is converted into corrugated boxes used to ship canned tomato paste. Those corrugated boxes lose the identity of the kraftliner once converted. However, other commodities such as trucks, tractors, generators, corn grinders can be identified and additional end-use checks should be performed. Whereas commodity arrival accounting has been put into effect, items like those directly above also should be checked to verify place and effectiveness of the commodities in use at points of final destination.

This function has been assigned to the CIP office and recommendations in prior evaluations referred to the function to be performed by CIP office by adding additional personnel. It is the opinion of this evaluation, however, that end-use checks should be performed by an office other than the CIP. Accepted accounting principles ordinarily do not allow the final checking to be performed by the same individual or office that initiates the procurement process. This is done to eliminate any and all possibilities of unethical practices.

4. Commodity allocations: As shown in Tables 11-13, a broad range of commodities were imported under grants 0100, 0103 and 0121. All commodities imported were either directly associated with the agrobusiness and transportation industries or were in support of those industries. The mix of products shows a good cross-section that was beneficial to agrobusiness and provided employment in the plants and to those people employed in the supporting activities. Given the increased importance of such non-project assistance as CIPs, additional monitoring of data pertaining to policy reforms would permit USAID to demonstrate more directly the benefits of such assistance. For this reason it would be important to emphasize not only the benefits of fast disbursements and advantages for agrobusiness but also direct economic benefits to the economy as a whole.

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TABLE 1

EXPORT OF AGRICULTURAL PRODUCTS FROM THE NORTH SHABA AREA
COMPARED WITH REHABILITATED ROAD TOTALS, 1977-1986

| Year | Km Road Repaired | Maize | Oil | Rice | Peanuts | Cassava |
|---|---|---|---|---|---|---|
| 1977 | 0 | 5,904 | 1,081 | 58 | 150 | 3 |
| 1978 | 0 | 11,635 | 920 | 239 | 236 | 326 |
| 1979 | 96 | 12,353 | 1,461 | 359 | 374 | 42 |
| 1980 | 207 | 18,199 | 1,570 | 665 | 474 | 88 |
| 1981 | 461 | 32,383 | 1,738 | 571 | 717 | 185 |
| 1982 | 629 | 30,500 | 1,871 | 278 | 529 | 255 |
| 1983 | 687 | 40,644 | 1,945 | 308 | 762 | 291 |
| 1984 | 856 | 35,568 | 2,309 | 174 | 554 | 271 |
| 1985 | 1,012 | 56,724 | 1,475 | 177 | 503 | 193 |
| 1986 | 1,047 | 48,000 (est.) | NA | NA | NA | NA |

TABLE 2

PRIX DE DETAIL DES PRODUITS VIVRIERS SUR LES MARCHES DE KINSHASA

MOYENNES MENSUELLES -ANNEE 1987-

unite= zaire/kg

| PRODUITS | JANV. | FEV. | MARS | AVRIL | MAI | JUIN | JUL. | AOUT | SEPT. | OCT. | NOV. | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MANIOC COSSETTE | 19.29 | 22.86 | 26.81 | 28.58 | 35.18 | 32.54 | 32.58 | 36.73 | 39.23 | 43.34 | 54.41 | 51.14 |
| MAIS GRAIN JAUNE | 19.66 | 20.45 | 20.33 | 19.78 | 22.45 | 22.72 | 24.51 | 29.56 | 29.28 | 31.53 | 36.95 | 37.49 |
| ARACHIDE GRAINE | 76.13 | 66.92 | 61.02 | 69.31 | 79.56 | 82.41 | 100.26 | 109.38 | 109.26 | 129.80 | 142.08 | 157.37 |
| ARACHIDE COQUE | 43.29 | 43.12 | 43.86 | 44.80 | 48.14 | 48.92 | 56.49 | 64.44 | 71.47 | 86.39 | 95.43 | 93.14 |
| HARICOT BLANC | 60.49 | 60.50 | 65.13 | 89.63 | 126.54 | 132.41 | 153.09 | 161.73 | 148.77 | 143.34 | 160.52 | 169.91 |
| HARICOT COLORE | 54.00 | 56.01 | 55.25 | 77.53 | 88.58 | 88.77 | 129.69 | 122.22 | 97.23 | 110.60 | 132.07 | 142.49 |
| BANANE PLANTAIN | 30.02 | 28.77 | 24.87 | 28.41 | 33.27 | 36.46 | 39.48 | 44.74 | 49.56 | 57.57 | 55.01 | 56.67 |
| BANANE DE TABLE | 28.87 | 25.62 | 23.16 | 27.23 | 28.89 | 29.44 | 30.94 | 31.49 | 44.06 | 46.88 | 40.44 | 40.13 |
| MANIOC FARINE | 23.57 | 24.52 | 29.67 | 30.37 | 35.53 | 38.11 | 36.49 | 36.54 | 38.87 | 54.43 | 66.77 | 67.55 |
| MAIS FARINE | 34.85 | 39.16 | 44.11 | 45.93 | 50.83 | 51.85 | 52.01 | 60.56 | 62.50 | 75.20 | 86.11 | 94.22 |
| RIZ LOCAL | 31.17 | 37.04 | 38.98 | 42.62 | 48.01 | 56.26 | 54.08 | 51.39 | 46.96 | 45.92 | 0.00 | 53.98 |
| RIZ IMPORTE | 35.76 | 42.59 | 44.26 | 47.72 | 56.48 | 66.05 | 60.00 | 56.49 | 55.56 | 57.06 | 60.20 | 62.48 |
| HUILE DE PALME | 35.95 | 36.07 | 39.76 | 46.92 | 53.82 | 57.87 | 66.20 | 82.56 | 93.75 | 100.46 | 112.65 | 111.01 |
| MANIOC TUBERCULE | 17.06 | 16.89 | 15.33 | 16.62 | 18.50 | 19.10 | 25.16 | 29.87 | 36.65 | 34.73 | 36.17 | 37.12 |
| MANIOC CHIKWANGUE | 18.79 | 19.91 | 21.51 | 21.16 | 25.29 | 25.65 | 31.01 | 34.13 | 35.27 | 36.56 | 39.35 | 42.95 |
| FEUILLE DE MANIOC | 15.33 | 17.55 | 17.32 | 18.93 | 19.03 | 23.51 | 34.67 | 42.68 | 40.31 | 35.42 | 26.55 | 27.37 |
| TATE DOUCE | 17.17 | 18.49 | 20.30 | 20.70 | 21.47 | 21.86 | 29.56 | 26.83 | 36.55 | 38.95 | 40.38 | 43.51 |
| ATE | 48.59 | 51.66 | 60.29 | 90.02 | 169.02 | 171.75 | 162.63 | 143.56 | 114.41 | 65.24 | 89.61 | 117.94 |
| PIMENT | 53.11 | 109.71 | 158.34 | 148.14 | 147.22 | 144.63 | 140.82 | 159.07 | 224.26 | 170.74 | 163.52 | 160.00 |
| BITEKU TEKU | 17.32 | 17.78 | 19.44 | 28.66 | 31.49 | 27.90 | 37.78 | 35.93 | 31.27 | 28.78 | 33.33 | 35.[illegible] |
| NGAI-NGAI | 41.47 | 37.20 | 40.84 | 41.01 | 44.57 | 43.55 | 58.82 | 78.15 | 94.88 | 68.42 | 76.13 | 69.74 |
| COURGE GRAINE | 160.74 | 171.30 | 174.07 | 188.15 | 233.04 | 229.08 | 249.85 | 252.78 | 248.61 | 292.10 | 322.24 | 323.94 |
| INDICE PRIX VIVRIERS (BASE 100=1/1/1984) | 178.43 | 198.90 | 219.10 | 248.62 | 285.12 | 302.11 | 338.29 | 362.01 | 375.61 | 375.74 | 406.04 | 423.31 |

SOURCE: DEPARTEMENT DE L AGRICULTURE
-direction des marches,prix et credits de campagne-

TABLE 3

1986-AVERAGE MONTHLY RETAIL PRICES IN KINSHASA MARKETS

| Commodities | JAN. | FEB. | MAR. | APR. | MAY | JUNE | JULY | AUG. | SEPT. | OCT. | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cassava (Dried) | 17.18 | 16.60 | 16.78 | 16.46 | 16.38 | 16.07 | 15.64 | 15.88 | 16.81 | | | |
| Yellow Corn | 21.13 | 15.39 | 13.52 | 11.87 | 11.80 | 12.16 | 15.27 | 14.63 | 15.42 | | | |
| Peanuts (Shelled) | 65.38 | 56.35 | 56.67 | 54.99 | 49.11 | 54.51 | 60.32 | 61.90 | 64.66 | | | |
| Peanuts (Unshelled) | 35.85 | 29.08 | 30.03 | 31.79 | 32.35 | 35.43 | 34.99 | 37.49 | 38.54 | | | |
| Beans White | 57.22 | 51.84 | 51.10 | 54.95 | 56.97 | 60.55 | 59.54 | 54.98 | 56.35 | | | |
| Beans Brown | 42.52 | 37.90 | 36.29 | 35.60 | 36.04 | 33.88 | 34.71 | 33.63 | 33.29 | | | |
| Plantans | 27.07 | 26.33 | 25.32 | 25.27 | 21.38 | [illegible] | 25.43 | 24.90 | 27.49 | | | |
| Bananas | 21.79 | 22.43 | 20.35 | 20.72 | 19.29 | 19.93 | 21.64 | 22.71 | 23.89 | | | |
| Cassava flour | 17.35 | 17.09 | 17.31 | 17.63 | 16.58 | 17.38 | 17.89 | 16.41 | 16.84 | | | |
| Corn flour | 36.70 | 33.85 | 32.28 | 34.00 | 30.06 | 30.62 | 32.56 | 32.27 | 32.39 | | | |
| Rice (Local) | 29.83 | 35.18 | 48.18 | 32.73 | 27.89 | 26.14 | 26.16 | 23.61 | 23.34 | | | |
| Rice (Imported) | 35.25 | 43.14 | 58.07 | 38.54 | 32.52 | 31.23 | 28.09 | 26.01 | 26.54 | | | |
| Palm Oil | 33.68 | 36.45 | 35.71 | 35.42 | 35.28 | 35.36 | 36.64 | 35.00 | 36.25 | | | |
| Cassava (Tuber) | 15.05 | 14.94 | 14.35 | 15.20 | 14.63 | 13.43 | 12.31 | 11.61 | 12.52 | | | |
| Cassava (Prepared) | 16.26 | 16.10 | 15.27 | 15.45 | 15.62 | 14.73 | 15.48 | 14.86 | 15.03 | | | |
| Cassava Leaves | 11.10 | [illegible] | 12.37 | 12.57 | 12.48 | 12.59 | 14.69 | 19.12 | 17.21 | | | |
| Sweet Potatoes | 16.04 | [illegible] | 16.55 | 14.91 | 13.82 | 11.88 | 11.48 | 11.16 | 11.85 | | | |
| Tomatoes | 32.68 | [illegible] | 57.11 | 67.83 | 77.65 | 81.68 | 64.79 | 47.59 | 42.50 | | | |
| Hot Peppers | 69.70 | 63.47 | 44.72 | 41.33 | 30.87 | 34.12 | 43.36 | 63.79 | 74.67 | | | |
| Spinach | 14.82 | 15.65 | 12.86 | 15.27 | 17.31 | 17.80 | 17.10 | 14.96 | 13.41 | | | |
| Sorrel | 29.84 | 31.52 | 31.41 | 35.99 | 36.52 | 35.04 | 43.02 | 41.72 | 42.19 | | | |
| Squash Seeds | 140.50 | 147.68 | 141.95 | 149.99 | 154.91 | 149.50 | 155.26 | 146.86 | 153.79 | | | |
| Food Price Index (Base 100 = 1/1/84) | 160.09 | [illegible] | 155.90 | 153.54 | 146.82 | 151.40 | 153.61 | 154.00 | 159.11 | | | |

Source : Department of Agriculture and Rural Development
Direction of Markets, Prices, and Credit Campaign - (DMPCC)

TABLE 4

1985 AVERAGE MONTHLY RETAIL PRICES IN KINSHASA MARKETS

| Commodities | JAN. | FEB. | MAR. | APR. | MAY | JUNE | JULY | AUG. | SEPT. | OCT | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cassava (Dried) | 13.33 | 14.14 | 14.16 | 13.61 | 13.62 | 14.38 | 12.85 | 13.62 | 14.61 | 15.55 | 15.92 | 15.8 |
| Yellow Corn | 9.58 | 9.43 | 9.58 | 8.92 | 8.97 | 9.43 | 9.67 | 10.23 | 10.71 | 15.90 | 20.38 | 18.4 |
| Peanuts (Shelled) | 26.16 | 24.19 | 25.62 | 26.62 | 29.06 | 35.87 | 37.03 | 50.02 | 56.63 | 78.54 | 83.96 | 75.4 |
| Peanuts (Unshelled) | 19.22 | 21.12 | 23.66 | 26.91 | 23.91 | 23.01 | 27.41 | 28.66 | 33.33 | 39.74 | 41.36 | 41.4 |
| Beans (White) | 52.52 | 46.53 | 44.09 | 45.78 | 52.29 | 60.76 | 60.43 | 54.25 | 54.11 | 54.68 | 56.35 | 57.2 |
| Beans (Colored) | 40.39 | 32.88 | 33.40 | 35.70 | 43.85 | 43.12 | 38.45 | 34.61 | 34.42 | 37.77 | 38.63 | 41.5 |
| Plantain | 17.35 | 18.17 | 16.18 | 16.12 | 17.19 | 16.02 | 16.45 | 15.59 | 17.77 | 20.49 | 23.67 | 21.9 |
| Bananas | 14.52 | 16.08 | 13.68 | 15.20 | 18.15 | 17.82 | 16.59 | 17.20 | 18.51 | 19.48 | 19.60 | 21.0 |
| Cassava Flour | 14.36 | 14.17 | 14.90 | 13.87 | 15.43 | 13.96 | 11.97 | 11.21 | 12.30 | 13.84 | 15.64 | 17.0 |
| Corn Flour | 24.15 | 23.35 | 25.75 | 20.05 | 21.31 | 19.81 | 15.56 | 12.34 | 18.18 | 26.20 | 35.13 | 33.7 |
| Rice (Local) | 19.32 | 18.49 | 19.35 | 18.77 | 19.24 | 20.54 | 21.80 | 24.70 | 22.56 | 22.23 | 22.04 | 23.4 |
| Rice (Imported) | 22.67 | 22.54 | 22.81 | 23.08 | 24.00 | 24.23 | 29.60 | 30.08 | 26.15 | 25.38 | 26.49 | 28.8 |
| Palm Oil | 31.25 | 31.25 | 31.25 | 28.00 | 28.00 | 26.00 | 34.72 | 34.72 | 34.72 | 41.72 | 40.45 | 35.0 |
| Cassava (Tuber) | 5.46 | 9.60 | 10.64 | 8.58 | 9.53 | 10.55 | 12.20 | 11.99 | 12.80 | 12.83 | 13.18 | 13.6 |
| Cassava (Prepared) | 12.59 | 11.85 | 11.34 | 11.18 | 12.71 | 12.83 | 11.18 | 12.44 | 12.60 | 14.19 | 14.84 | 15.1 |
| Cassava Leaves | 7.63 | 7.56 | 8.42 | 8.17 | 8.46 | 11.97 | 14.66 | 15.35 | 16.72 | 10.37 | 10.92 | 11.1 |
| Sweet Potatoes | 10.16 | 9.98 | 11.82 | 10.70 | 9.46 | 11.66 | 11.44 | 11.88 | 12.09 | 13.54 | 15.16 | 14.3 |
| Tomatoes | 45.59 | 62.46 | 69.30 | 67.91 | 57.40 | 57.08 | 53.99 | 46.00 | 38.05 | 34.11 | 33.60 | 39.5 |
| Hot Peppers | 67.76 | 120.83 | 106.37 | 97.36 | 72.14 | 59.46 | 77.18 | 84.91 | 97.77 | 111.10 | 123.33 | 78.8 |
| Spinach | 9.83 | 9.71 | 8.54 | 10.63 | 14.01 | 19.75 | 15.09 | 14.56 | 11.83 | 11.68 | 11.66 | 14.8 |
| Sorrel | 15.58 | 16.03 | 15.81 | 14.93 | 20.99 | 28.33 | 42.10 | 42.42 | 33.51 | 32.57 | 33.76 | 32.4 |
| Squash Seeds | 68.87 | 71.84 | 71.71 | 73.71 | 64.06 | 78.13 | 87.27 | 92.17 | 93.61 | 100.24 | 110.87 | 122.4 |
| Food Price Index (Base 100 = 1/1/1984) | 122.24 | 134.41 | 132.18 | 128.63 | 129.13 | 135.45 | 139.37 | 141.74 | 145.59 | 157.07 | 166.68 | 157.0 |

Source : Department of Agriculture and Rural Development
Direction of Markets, Prices, and Credit Campaign- (DMPCC)

TABLE 5

## 1984 -AVERAGE MONTHLY RETAIL PRICES IN KINSHASA MARKETS

| Commodities | JAN. | FEB. | MAR. | APR. | MAY | JUNE | JULY | AUG. | SEPT. | OCT | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cassava (Dried) | 15.60 | 15.75 | 15.01 | 14.51 | 13.77 | 15.06 | 14.57 | 14.46 | 14.05 | 14.33 | 12.89 | 13.5 |
| Yellow Corn | 13.97 | 14.78 | 11.43 | 10.83 | 8.93 | 9.79 | 10.25 | 10.42 | 9.94 | 10.12 | 10.68 | 9.6 |
| Peanuts (Shelled) | 35.67 | 26.08 | 22.98 | 30.39 | 26.63 | 26.06 | 26.61 | 30.81 | 29.99 | 31.58 | 27.63 | 26.2 |
| Peanuts (Unshelled) | 12.93 | 15.88 | 13.00 | 22.63 | 14.18 | 15.22 | 17.86 | 22.21 | 19.48 | 15.92 | 19.20 | 15.5 |
| Beans (White) | 35.62 | 32.72 | 30.48 | 29.22 | 35.70 | 43.45 | 42.46 | 40.77 | 39.95 | 39.57 | 45.76 | 52.2 |
| Beans (Colored) | 24.93 | 24.58 | 24.56 | 23.21 | 28.20 | 31.2[illegible] | 31.45 | 28.39 | 30.30 | 32.00 | 42.58 | 46.1 |
| Plantain | 11.32 | 10.16 | 10.49 | 11.45 | 11.15 | 13.17 | 16.18 | 19.19 | 16.45 | 18.06 | 14.14 | 17.0 |
| Pineapas | 12.76 | 11.64 | 10.94 | 10.01 | 11.83 | 13.84 | 18.22 | 16.49 | 13.04 | 14.18 | 12.59 | 13.2 |
| Cassava Flour | 16.26 | 17.83 | 13.96 | 14.55 | 15.23 | 15.73 | 15.09 | 14.87 | 14.30 | 14.61 | 15.02 | 14.7 |
| Corn Flour | 27.75 | 31.80 | 23.31 | 21.84 | 24.82 | 25.55 | 24.99 | 22.21 | 23.06 | 21.15 | 22.66 | 25.9 |
| Rice (Local) | 22.49 | 20.26 | 19.52 | 18.50 | 17.94 | 18.07 | 19.48 | 18.33 | 20.87 | 19.81 | 19.93 | 20.0 |
| Rice (imported) | 38.30 | 25.78 | 26.90 | 20.10 | 19.76 | 20.21 | 24.12 | 25.34 | 28.51 | 24.43 | 23.68 | 23.7 |
| Palm Oil | 27.00 | 27.00 | 27.00 | 31.00 | 31.00 | 38.80 | 38.80 | 38.80 | 38.80 | 28.00 | 28.00 | 28.0 |
| Cassava (Tuber) | 9.02 | 8.29 | 8.37 | 8.47 | 8.56 | 10.76 | 13.30 | 10.99 | 10.21 | 8.72 | 8.19 | 7.4 |
| Cassava (Prepared) | 13.60 | 15.27 | 13.47 | 16.95 | 13.83 | 13.35 | 14.41 | 13.98 | 13.03 | 12.85 | 12.74 | 12.6 |
| Cassava Leaves | 6.13 | 7.01 | 6.96 | 6.93 | 6.06 | 9.14 | 10.24 | 12.30 | 10.31 | 6.76 | 6.69 | 7.2 |
| Sweet Potatoes | 11.07 | 10.69 | 10.42 | 11.49 | 12.03 | 11.10 | 12.29 | 10.69 | 10.44 | 9.02 | 9.32 | 8.4 |
| Tomatoes | 18.71 | 21.01 | 22.53 | 31.07 | 33.69 | 47.65 | 42.07 | 41.66 | 46.17 | 40.91 | 38.65 | 38.3 |
| Hot Peppers | 24.57 | 26.31 | 27.50 | 36.50 | 22.83 | 25.40 | 19.37 | 23.81 | 21.21 | 21.81 | 25.26 | 25.2 |
| Spinach | 8.24 | 7.98 | 8.10 | 7.13 | 8.84 | 8.71 | 9.72 | 11.45 | 8.96 | 6.12 | 8.49 | 8.8 |
| Sorrel | 8.48 | 8.84 | 7.55 | 10.39 | 8.71 | 10.87 | 14.44 | 21.57 | 22.32 | 14.41 | 13.73 | 15.9 |
| Squash Seeds | 40.33 | 37.40 | 47.81 | 47.79 | 60.33 | 60.80 | 70.49 | 74.53 | 65.81 | 71.92 | 58.88 | 61.1 |
| Food Price Index (Base 100 = 1/1/1984) | 103.33 | 100.18 | 95.74 | 99.80 | 98.42 | 112.20 | 115.73 | 117.54 | 114.82 | 104.75 | 106.24 | 110.4 |

Source : Department of Agriculture and Rural Development
Direction of Markets, Prices, and Credit Campaign - (DMPCC)

TABLE 6

GRANT 660 - K601 TOTAL $10,000,000

PROJECT 660-0100

| | (in 000's) | % of total |
|---|---|---|
| Agrobusiness | - 0 - | |
| Agribusiness support materials | | |
| raw materials (tire mfg) | 4,487 | |
| diesel engines (catepillar) | 48 | |
| generators (in country use) | 22 | |
| transciever (in-country communications) | 32 | |
| graders (catepillar, road maintenance) | 160 | |
| compactors (road maintenance) | 130 | |
| loaders (road maintenance) | 230 | |
| marine engine (river transpo t) | 26 | |
| generators (in-country use) | 40 | |
| pumps + parts (form use) | 31 | |
| marine engine (river transport) | 22 | |
| lift truck (trucking use) | 25 | |
| generators (in country use) | 70 | |
| marine engine (river transport) | 21 | |
| spare parts (catepillar maintenance) | 94 | |
| spare parts (transport company) | 373 | |
| grader (road maintenance) | 109 | |
| welder (farm implements maintenance) | 24 | |
| diesel engines (road transport) | 27 | |
| rotary cutters (farm implements) | 37 | |
| hammer mills (cereal processing) | 62 | |
| rotary cutters (farm implements) | 34 | |
| welder (farm implements maintenance) | 20 | |
| raw materials + spare parts | 425 | |
| spare parts (transport company) | 366 | |
| grader (road maintenance) | 215 | |
| spare parts (grader) | 65 | |
| tractors (farm implements) | 121 | |
| generator (in country use) | 82 | |
| marine engine (river transport) | 23 | |
| spare parts (road maintenance equipment) | | |
| graders (road maintenance) | 331 | |
| | 7,752 | 77.5 per cent |
| Agribusiness related materials | | |
| Caustic soda (local palmoil processor) | 531 | |
| Computer + asses. | 298 | |
| | 829 | 8.3 per cent |
| | | 8,600,000 |

TABLE 7

GRANT 660 - K 602 TOTAL $10,000,000

PROJECT 660 - 0103

| | (in 000's) | % of total |
|---|---|---|
| Agrobusiness | - 0 - | |
| soybean meal | 316 | |
| soybean meal | 295 | |
| soybean meal | 318 | |
| soybean meal | 317 | |
| | 1,246 | 12.5 per cent |
| Agrobusiness support materials | | |
| raw materials (tire mfg) | 100 | |
| spare parts (farm implements) | 47 | |
| polypropylene (plastic mfg) | 45 | |
| spare parts (local palm oil processor) | 80 | |
| sp re parts (local palm oil processor) | 16 | |
| rotary cutters (farm implements) | 34 | |
| generators (in country use) | 25 | |
| extrusion equipment (local food processor) | 528 | |
| spare parts (catepillar maintenance) | 19 | |
| spare parts (compactor maintenance) | 18 | |
| hammermills (cereal processing) | 84 | |
| spare parts (local palm oil processor) | 10 | |
| pumps (farm implements) | 14 | |
| spare parts (local palm oil processor) | 17 | |
| agriculture equipment (farm implements) | 10 | |
| copper tubing (refrigerator-food storage | 27 | |
| tractor (forestry operati ns) | 217 | |
| liner board (box mfg) | 559 | |
| staples + glue (box mfg) | 58 | |
| medium (box mfg) | 256 | |
| solder (foodcan mfg) | 27 | |
| marine engine (river transport) | 18 | |
| sawmill (forestry operations) | 66 | |
| tinplate (foodcan mfg) | 42 | |
| spareparts (local palm oil producer) | 50 | |
| marine engine (river transports) | 17 | |
| polypropylene (agr. sacks) | 124 | |
| polypropylene (agr. sacks) | 229 | |
| polypropylene (plastic mfg) | 208 | |
| polypropylne (plastic mfg) | 76 | |
| liner board (box mfg) | 336 | |
| liner board (box mfg) | 361 | |
| spare parts/rawmat. (tire mfg) | 2,111 | |
| jute (agr. sack) | 525 | |
| | 6,354 | 63.5 per cent |

Agrobusiness related materials

| | | |
|---|---|---|
| Lighting equipment (solar eqpt) | 23 | |
| regulators(solar eqpt) | 35 | |
| raw materials (paint mfg) | 73 | |
| dyestuff (local cotton mfg) | 684 | |
| dyestuff (local cotton mfg) | 39 | |
| solar equipt (cold boxes vaccinations) | 70 | |
| | 1,133 | 11.3 per cent |
| | | 8,733,000 |

TABLE 8

GRANT 660-K603 TOTAL $15,000,000

PROJECT 660 - 0121

| Agrobusiness | (in 000's) U.S. $ | % of Total |
|---|---|---|
| soybean meal | 369 | |
| soybean meal | 212 | |
| fertilizer | 265 | |
| | 846 | 5.6 percent |
| **Agrobusiness support materials** | | |
| polypropylene (agr. sacks) | 97 | |
| polypropylene (agr. sacks) | 271 | |
| spareparts (tire manufacture) | 235 | |
| polyethylene (plastic mfg) | 200 | |
| polyethylene (plastic mfg) | 180 | |
| saws | 66 | |
| kraftpaper (shipping cartons) | 274 | |
| kraftpaper (shipping cartons) | 85 | |
| polyethylene (plastic mfg) | 275 | |
| polyethylene (plastic mfg) | 97 | |
| spare parts (sugar production) | 371 | |
| trucks | 235 | |
| tractors | 92 | |
| extrusion machine (agr. sacks) | 486 | |
| raw materials (tire mfg) | 492 | |
| jute (agr. sacks) | 653 | |
| diesel fuel | 7,000 | 74.0 percent |
| | 11,109 | |
| **Agrobusiness related industries** | | |
| chemical dyestuff (lcl cotton mfg) | 74 | |
| chemical dyestuff (lcl cotton mfg) | 196 | |
| chemical dyestuff (lcl cotton mfg) | 32 | |
| caustic soda (lcl palm oil proc.) | 607 | |
| caustic soda | 73 | |
| transceivers (in country communications) | 63 | |
| raw materials (paint comp.) | 340 | |
| forming machine (battery mfg) | 1,000 | |
| | 2,385 | 15.9 percent |
| | | 14,340,000 |

## TABLE 9

## SOURCES AND USES OF COUNTERPART FUND

($ 000)

| | 1985 | 1986 | 1987 (p) |
|---|---|---|---|
| **A. SOURCES** | | | |
| 1. PL 480 | 13,521 | 13,476 | 21,703 |
| 2. CIP (0100, 0103 and 0121) | 2,071 | 4,323 | 10,000 |
| 3. Other | 264 | 175 | 105 |
| 4. Prior Year Balance | 2,604 | 4,737 | 2,151 |
| TOTAL | 18,460 | 22,711 | 33,959 |
| **B. USES** | | | |
| 1. Agricultural Sector | 3,806 | 6,922 | 11,640 |
| 2. Health Sector | 3,237 | 5,316 | 6,782 |
| 3. PVOs, NGOs, and relief activities | 1,905 | 2,212 | 1,700 |
| 4. Mission Support | 2,021 | 2,333 | 5,351 |
| 5. GOZ Institutions Support | 1,205 | 2,069 | 1,544 |
| 6. Survey/Research | 58 | 150 | 0 |
| 7. Education/Training | 952 | 908 | 355 |
| 8. Enterpreneurial Credit | 980 | 650 | 1,544 |
| 9. Other (carry over) | 4,296 | 2,151 | 5,043 |
| TOTAL | 18,460 | 22,711 | 33,959 |

p: projected

TABLE 9

SOURCES OF LOCAL CURRENCY

($ MILLION EQUIVALENT)

| SOURCES | 1986 Actual | 1987 Estim. | 1988 Planned | 1989 Prop. |
|---|---|---|---|---|
| I. PL-480 Title I | 13.471 | 14.719 | 8.220 | 5.110 |
| - On going | 13.296 | 14.614 | 8.110 | 5.000 |
| - Loan Repayments | 0.175 | 0.105 | 0.110 | 0.110 |
| II. PL-480 Title II 1 (Regular) | 0.180 | 0.149 | 0.206 | 0.219 |
| III. PL-480 Title II (Section 206) | 0 | 6.940 | 16.500 | 15.000 |
| IV. ESF | 4.323 | 10.000 | 11.500 | 13.800 |
| TOTAL | 17.974 | 31.808 | 36.426 | 34.129 |
| Prior year Carry Forward 2/ | 4.737 | 2.151 3/ | 5.043 | 7.513 |

1/ PL-480 Title II "MCH/Nutrition" program.
2/ Programmed cash balances in GOI accounts on December 31 of prior year.
3/ Amount of $0.786 million included in this figure represents project account cash balances.

Table 10

## Cumulative Commitments

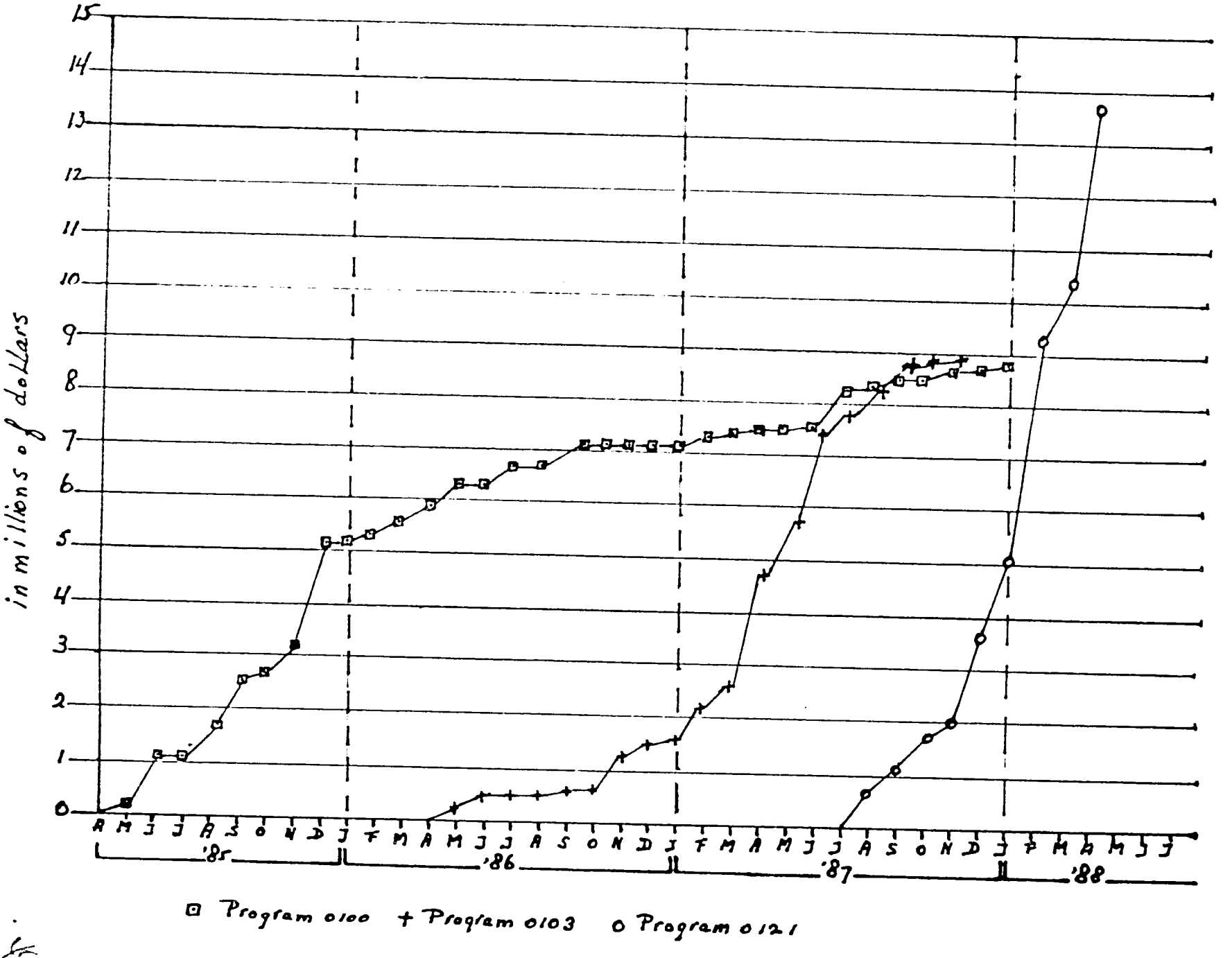


TABLE 11

CIP GRANT 660-K601
(PROJECT 660-0100)

AGRICULTURAL INPUTS SUPPORT GRANT I

STATUS REPORT 18-Feb 88
AS OF FILENAME 0100REP

Date Pro-Ag Signed: 30-Jul-84 Terminal Date for DAs: 01-Jan-88
Date CP's Met: 26-Sep-84 TD for Disbursements: 15-Mar-88

| Disbursing Authorization | Authorized | Committed* | Shipped/ Disbursed | Remaining to Ship/ Disburse | Remaining** to Commit |
|---|---|---|---|---|---|
| DRA 60101 | 1,000,000 | 995,000 | 950,000 | 45,000 | 5,000 |
| DL/COM 60102 (Good Year) | 4,640,000 | 4,640,000 | 4,490,000 | 0 | 155,000 |
| BL/COM 60103 (Morgan) | 2,080,000 | 2,080,000 | 1,755,000 | 195,000 | 130,000 |
| BL/COM 60104 (Citibank) | 2,080,000 | 2,150,000 | 1,815,000 | 145,000 | 320,000 |
| TOTALS | 10,000,000 | 9,865,000 | 9,010,000 | 385,000 | 610,000 |

Number of Transactions Currently Open: 7

Average Value of Transaction: $177,400

*Committed = Transactions Approved by USAID and Plan, and Letters of Credit opened by Importers

**Remaining to Commit = Uncommitted Funds plus Unused Balances from Letters of Credit

NOTE: USAID is preparing to deobligate/reobligate funds to CIP 0121.

TABLE 12

CIP GRANT 660-K602
(PROJECT 660-0103)

AGRICULTURAL INPUTS SUPPORT GRANT II

STATUS REPORT 18-Feb 88
AS OF FILENAME 0103REP

Date Pro-Ag Signed: 30-Jul-85 Terminal Date for DAs: 01-Jan-88
Date CP's Met: 26-Sep-85 TD for Disbursements: 15-Mar-88

| Disbursing Authorization | Authorized | Committed* | Shipped/ Disbursed | Remaining to Ship/ Disburse | Remaining** to Commit |
|---|---|---|---|---|---|
| DRA 60201 | 1,000,000 | 1,000,000 | 945,000 | 55,000 | 0 |
| BL/COM 60202 (Citibank) | 3,425,000 | 3,421,000 | 3,075,000 | 120,000 | 230,000 |
| BL/COM 60203 | Cancelled | | | | |
| DL/COM 60204 (Goodyear) | 2,150,000 | 2,110,000 | 2,110,000 | 0 | 40,000 |
| DL/COM 60205 (Tissakin) | 526,000 | 526,000 | 526,000 | 0 | 0 |
| BL/COM 60206 (Riggs) | 2,899,000 | 2,865,000 | 2,672,000 | 137,000 | 90,000 |
| TOTALS | 10,000,000 | 9,922,000 | 9,328,000 | 312,000 | 360,000 |

Number of Transactions Currently Open: 6

Average Value of Transaction: $178,440

*Committed = Transactions Approved by USAID and Plan, and Letters of Credit opened by Importers

**Remaining to Commit = Uncommitted Funds plus Unused Balances from Letters of Credit

NOTE: USAID is preparing to deobligate/reobligate funds to CIP 0121.

TABLE 13

CIP GRANT 660-K603
(PROJECT 660-0121)

STRUCTURAL ADJUSTMENT SUPPORT GRANT-AERP

STATUS REPORT 18-Feb 88
AS OF FILENAME 0121REP

Date Pro-Ag Signed: 29-Sep-86 Terminal Date for DAs: 01-Sep-88
Date CP's Met: 09-Apr-87 (PIL No.2) TD for Disbursements: 01-Oct-88

26-May-87 (PIL No.3)

| Disbursing Authorization | Authorized | Committed* | Shipped/ Disbursed | Remaining to Ship/ Disburse | Remaining** to Commit |
|---|---|---|---|---|---|
| DRA 60 A.01 (USAID T.A) | 200,000 | 60,000 | 0 | 60,000 | 140,000 |
| BL/COM 60301 (UBAF ARAB-AM) | 5,000,000 | 3,270,000 | 1,560,000 | 1,580,000 | 1,860,000 |
| DRA 60302 (USAID DL/COMs) | 4,800,000 | 4,800,000 | 340,000 | 4,460,000 | 0 |
| BL/COM 60303 (Riggs) | 5,000,000 | 3,475,000 | 0 | 3,475,000 | 1,470,000 |
| TOTALS | 15,000,000 | 11,605,000 | 1,900,000 | 9,575,000 | 3,470,000 |

Number of Transactions Currently Open: 22

Average Value of Transaction> $339,559

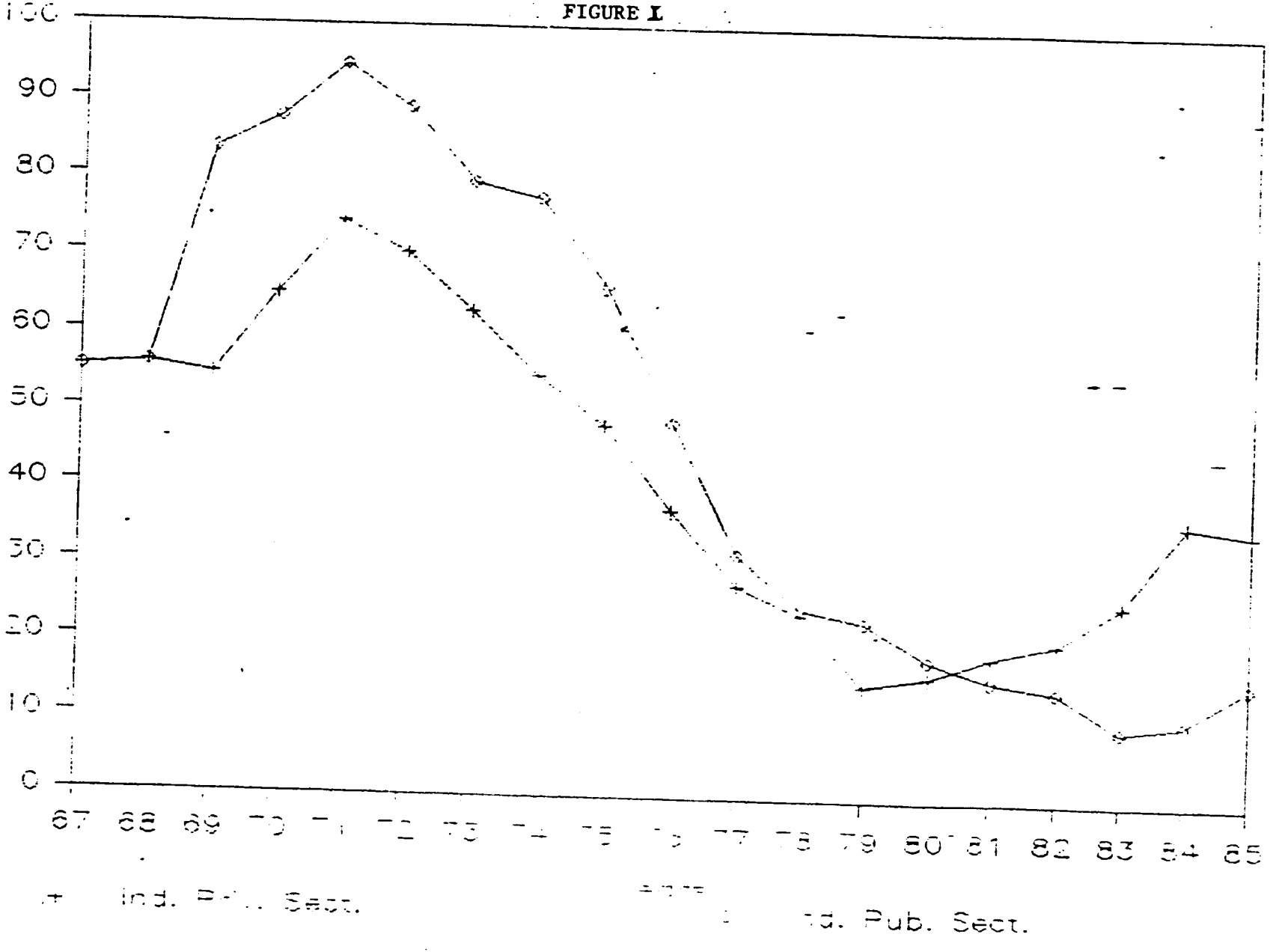
*Committed = Transactions Approved by USAID and Plan, and Letters of Credit opened by Importers or Direct Letters of Commitment issued by USAID

**Remaining to Commit = Uncommitted Funds plus Unused Balances from Letters of Credit

NOTE: Although $3.47 million are indicated in the funds remaining to commit, there are no funds available for further transactions.
These funds have been set aside for diesel fuel imports from Kenya, or are reserved for transactions ready for approval.

# INDEX OF REAL WAGES.

FIGURE I




1959 = 100

Figure 1

ANNEX I

Names of Persons Interviewed

Private CIP Importers

Mr. Bart Buytaert, Procurement Manager, CDI Bwamanda
Mr. Bernard Lechien, General Manager, VAP
Cit. Kaoma Mwansa, General Manager, CARTOZAIRE
Cit. Bukassa Kadiata, Asst. General Manager, CARTOZAIRE
Mr. Guery, General Manager, FNMA
Mr. Derick Stavely, Financial Director, MARSAVCO

CITIBANK

Mr. Claussens
Mr. Penrose

GOZ - Secretariat des Fonds de Contrepartie

Cit. Duru Moussa Saf, Director
C t. Mbuyi Twambi Langana, Division Chief, Financing and Accounting
Cit. Mokuba Mpakebwi, Division Chief, Projects
Cit. Leta Kamono, Division Chief for Collections
Cne. Lukusa Kabwe, Office Chief for Collections

U.S. Embassy, Kinshasa

Mr. Ralph Bressler, ECON Officer

USAID/Zaire

Mr. Dennis M. Chandler, Mission Director
Mr. John H. Bierke, Chief Program Officer
Mr. Joseph S. Ryan, Jr., Program Economist
Mr. Stephen D. Vance, Evaluation Officer
Mr. Donald Brown, Chief Agriculture Development Officer
Mr. Rudolfo Griego, Dep. Agriculture Development Officer
Mr. Richard Dreiman, CIP Manager
Mr. Brian Therian, CPF Accountant

Annex II

SCOPE OF WORK

ARTICLE I - TITLE

Agriculture Inputs Support Programs I and II (660-0100 and 660-0103) and the Structural Adjustment Support Program (660-0121).

ARTICLE II - OBJECTIVE

The objective of this contract is to provide the services of one qualified individual to serve as team leader for the evaluation of the three projects identified in Article I (660-0100, 660-0103, and 660-0121).

ARTICLE III - SUMMARY STATEMENT OF WORK

The team leader will be responsible for analyzing and reporting on the following subjects with regard to the three CIPs:

A. Status of Policy Reforms/Dialogue:

- Exchange rates,
- Import procedures, tariffs,
- Price controls, liberalization
- Fuel pricing,
- Export taxes, procedures,
- Revenue and expenditure measures.

B. Impact of Policy Reforms on:

- Increased private investment in Zaire,
- Market-determining patterns of investment and production,
- Internal terms of trade,
- Agricultural output; investment in agriculture; adoption of improved agricultural techniques,
- Formerly protected industries,
- Per capita incomes,
- Agricultural pricing in rural and urban areas.

C. Impact of Programs on:

- Agro-industrial sector,
- Balance of payments,
- Foreign exchange availability for agro-industrial inputs,
- Local currency allocations to financial institutions and development projects,
- Employment and worker-standards of living in the industrial sector,
- Availability of assisted imports to the various geographic areas and to small farmers generally,
- Importers' (participating firms') input use and capacity utilization.

D. Program Management and Efficiency:

-Projected versus actual rate of disbursement of foreign currency,
-Rate of procurement,
-Adherence to A.I.D. regulations,
-End-use checks/audits,
-CIP staff relations with local banks, GOZ, and private importers,
-Projected versus actual commodities procured (i.e., conflict between rapid disbursement and targeting of commodities and beneficiaries),
-Local currency program - deposits, disbursement, and accounting,
-CIP office staffing patterns,
-Status of recommendations from previous evaluations.

E. Lessons Learned/Recommendations

ARTICLE IV - REPORTING REQUIREMENTS

The contractor will submit a draft evaluation report to USAID's Evaluation Officer four days before the end of his/her contract. This report will include the following: 1) Executive Summary of no more than two pages (including purpose of activity evaluated; purpose of evaluation and methodology used; findings and conclusions; lessons learned; and, recommendations, each of which should identify a discrete action, action agent, and date when action should be completed); 2) Table of Contents; 3) Body of the Report of no more than 15 pages (should include a discussion of the purpose and study questions of the evaluation; the economic, political, and social context of the project; team composition and study recommendations/lessons learned); and, 4) Appendices (should include a copy of the scope of work; a list of documents consulted, and individuals and agencies contacted and may include a brief discussion of technical topics, if necessary).

Two separate meetings will be held to review the draft report. The first will be held with the evaluators, the Evaluation Officer, the Project Officer, and project personnel; the second with the evaluators, the USAID Director, the Evaluation Officer, the Project Officer and other concerned USAID staff members. Major findings and recommendations will be discussed during these meetings. The team leader will be responsible for submitting the final evaluation report, which will include consideration of issues discussed during the course of the above mentioned meetings, prior to his/her departure.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

The Contractor will report to and be under the general guidance of the Evaluation Officer, USAID/PRM. Project officers, USAID/PDO, Program Officers, USAID/PRM will provide specific technical guidance.

ARTICLE VI - TERMS OF PERFORMANCE

The effective date of this work order is January 28, 1988 and the estimated completion date is February 26, 1988.

Annex III

COPY

September 15, 1986

Mr. Mark L. Edelman
Assistant Administrator
Bureau for Africa
Agency for International Development
Washington, D.C. 20523

Dear Mark:

Congressman Wolpe has asked me to reply to your letter of September 5th and to incorporate the results of discussions between Roy Stacy, your staff, and Gerry Pitchford and myself this morning concerning the Zaire Grant.

Regarding the first point in your letter, we are pleased that AID is willing to revise the local curency generations under the proposed AEPRP so as to direct 100 percent of them to support of AID'S ongoing development projects, a significant portion of which are being implemented by PVO's.

As for the other issues, Gerry and I arrived at the following consensus with AID staff and Deputy Assistant Secretary Stacy;

(1) All of the funds in this grant would be limited to imports by agro-industries;

(2) AID would present to the Foreign Affairs Committee not later than March 1, 1987 an independent (non-mission) evaluation of the impact of AID's two previous agricultural inputs CIPs (and the projected impact of the new AEPRP program, insofar as it is known or can be inferred) on:

a) Employment and worker standards of living in the industrial sector;

b) Availability of assisted imports in the various geographic areas of Zaire and to small farmers generally (while complete end-use checks are not feasible, there should be a major effort to determine whether the tires, jute, transport equipment, oil etc. are generally reaching the small regional centers and small farmers which are the focal points of AID's development efforts).

c) Actual, as opposed to formal and official, price liberalization in farming areas (there is evidence that collusive merchants are in many places paying jointly determined "Minimum" prices for most products despite official liberalization);

(3) A.I.D. would add the criteria listed in (2) to those already listed or contemplated for the annual evaluations of the AEPRP required under the program assistance approval document.

COPY

C O P Y

Credible, independent evaluations, will I believe, be very important in future subcommittee responses to proposals for non-project assistance in Zaire. And, as we were assured today, they will be just as important to AID and to Deputy Assistant Secretary Stacy.

We greatly appreciate your cooperation in helping to resolve this difficult issue.

With best wishes,

Steve Weissman
Staff Director
Subcommittee on Africa, Committee on Foreign Affairs
House of Representatives

C O P Y

C O P Y

September 16, 1986

Mr. Steve Weissman
Staff Director
Subcommittee on Africa
U.S. House of Representatives

Dear Steve:

I have had an opportunity to review your letter regarding the Zaire AEPRP program. Your letter properly reflects our understanding from yesterday's meeting.

The PAAD from the project is being revised to reflect 100 percent use of local currency generations to support AID'S ongoing development projects. It will also reflect the limitation on the use of foreign exchange in this grant for imports into the agro-industrial sector. Finally, the annual evaluation criteria will include the provisions suggested in your letter.

In addition, we intend to move to contract for and complete independent (non-Mission) evaluations of the impact of AID's two previous Agricultural Inputs CIPs for Zaire in FY 84 and 85. It is our intention to have them available for the Foreign Affairs Committee not later than March 1, 1987.

Once again, I want to thank you for your cooperation in bringing this issue to a favorable resolution for all parties. On our part, we now have a better understanding of the subcommittee's concerns regarding Zaire. I also believe that you understand our intentions to use ESF resources in Zaire in a serious development manner.

Sincerely,

Mark L. Edelman
Bureau for Africa

C O P Y

ANNEX IV

Sample of Local Firms Benefitting from the CIP

Firms visited on February 9, 1988 by Vernon Johnson (Evaluation Team Leader), Manfred Mueller (Team Economist), Cornelis Stek (RCMO, REDSO/WCA), and Richard Dreiman (CIP Manager):

1. MARSAVCO is the largest manufacturer of soap and margarine in Zaire. Under the CIPs MARSAVCO has imported caustic soda, which it mixes with local palm oil to produce soap. As a result of CIP financing, MARSAVCO has been able o keep its factory doors open, and keep nearly 1000 people employed. Nearly 50% of the soap MARSAVCO produces is sold in the interior of Zaire to primarily low income people including small farmers. Without CIP financing, MARSAVCO would have had difficulty obtaining an essential input and as stated by the managing director would have had to close down temporarily. In turn, there would have been a serious shortage of soap.

2. CDI Bwamanda, an indigenous catholic church-based PVO with a commercial arm, has imported soybean meal which it uses to produce animal feed. The imported meal provides nearly all of the protein in the feed, and represents the primary imported ingredient. Soybean meal for animal feed is not locally available. Local inputs representing 60% of the volume and 50% of the value of feed include corn and palm oil. CDI sells the feed in Kinshasa to larger farms including those at religious missions and development projects, and generally demand is increasing among individual village farmers who are attempting to upgrade village animals. The feed is especially essential for raising poultry and pigs.

About 70% of the soybean meal is mixed into animal feed on Kinshasa, whereas 30% is sent to a smaller animal feed plant that CDI operates in the Equateur Region in northern Zaire. There the animal feed is also produced and sold primarily to religious missions, development projects, and village farmers. CDI employs about 50 people in Kinshasa and being church based operates an a very low profit margin. Without CIP financing it would not have been able to import enough soybean meal to fulfill local demand for feed. The amount of eggs, chickens, and pigs raised around Kinshasa and in the interior would have dropped drastically.

3. VAP produces weaning food, cookies, and bisquits. Under the CIP it has imported an extruding machine to process weaning food. The machine will eventually triple VAP's production, and will add 50 workers to its payroll. About 90% of the ingredients used in the weaning food are locally grown and produced (mainly corn, sugar, and vegetable oil). The remaining 10% is milk and vitamins. VAP's weaning food is about one-sixth the price of imported dry formula. It is made and packaged in conformance with WHO standards for health, safety, and conservation. About 40% of VAP's weaning food production is sold in towns and villages in the interior of Zaire.

4. CARTOZAIRE manufactures corrugated cardboard boxes with kraft liner and fluting paper financed under the CIP. It is wholly owned and managed by Zairians, and has no expatriate personnel. The cardboard boxes are sold mainly to companies distributing local palm oil, margarine, soap, fish, tinned goods, milk, baby food, and fresh produce. Roughly half of the goods shipped in these boxes are sold in the interior. Before CARTOZAIRE obtained the CIP-financed paper it had been closed for four months for lack of raw materials: 110 salaried workers and 40 daily workers were therefore temporarily unemployed.

CARTOZAIRE makes about 50% of the cardboard boxes in Zaire, and cannot meet the demand for its products. Its production is constrained in part by a shortage of foreign exchange and local credit.

5. FNMA is an engineering and equipment company that has been active in developing solar refrigerators and lighting systems for health and rural development projects in Zaire. Under the CIP FNMA imported solar panals and regulators which will be used in these projects. In particular, FNMA has designed a solar refrigerator that meets WHO standards and is now being considered for distribution by WHO. Because the larger cities and towns have electricity the solar installations will be in rural areas. In fact, the company hopes that through experimentation and research, solar energy can in time be made practical (technically and economically) for rural village use.

ANNEX V

Information regarding Host Government and AID financial management of AID generated Counterpart Funds is as follows:

1.) Procedures to verify that the proper amount of funds are collected.

USAID/Zaire Counterpart Funds (CPF) are generated from two programs - PL 480 Title 1 and the Commodity Import Program (CIP). The mission has set up a double verification procedure by which the deposits of CPF generations may be confirmed.

Following year Counterpar Fund generations are programed at the end of each calendar year. A schedule of Letter of Credit, ship arrival and importer payments is established and put onto a computer spreadsheet. It is intended that this schedule be updated every time that there is a change or new information.

It is then the responsibility of both USAID and the Department of Plan/GOZ to monitor the deposits of CPF by the importers. This is done by the collection and filing of the Credit Notes issued by the bank.

The Credit Notes' dates and amounts are then compared against the pre-programed schedule of Counterpart Fund generations for verification of correctness.

2.) Accounting of Collections at the central level

The Credit Notes are passed on to the USAID Loan and Grant Accountant in the Controller Office, who is responsible for compiling, accounting for and issuing monthly Status Reports on the USAID Counterpart Fund generations and releases.

At the same time, the Accounts Dept. of the Secretariat of Counterpart Funds within the Department of Plan is also responsible to compile and account for all funds deposited into the central account.

They monitor these deposits in terms of the Programming document issued at the beginning of the year which details all funds to be generated and the manner in which these are to be released to USAID/PLAN projects. A CPF Financial Status Report is prepared by PLAN/SFC at the end of each quarter and issued to USAID for reconciliation with the Status Report issued by the Controller Office.

3.) Accounting of Releases at the central level.

Releases are determined in consideration of the annual approved budget and the quarterly financial reports of each project. An attempt is made to release funds in respect of the budget, preferably a 1/12th percentage of the total budget for each month of the year. This may differ depending on projected needs of the project, such as if certain seasonal project activities necessitate varied volume flow of funds. This also may differ depending upon the actual financial situation of the project. If delayed project activity results in lower cumulative expenditure as compared to prior releases, then subsequent releases will be held up until the projects cash on hand balance is brought down to a reasonable level.

The mechanism for making Counterpart Fund Releases to the USAID/PLAN projects has undergone a long evolutionary process. Although it continues to consist of the same basic elements, there has been much significant improvement in practical terms over the last year.

The CPF Accountant recieves requests for funding from the projects, assesses these against the annual approved budgets and analyses the Quarterly Financial Reports. He then determines the necessary amount to be released to each project.

A Release Plan is then drawn up which details the current bank balance, recent deposits made into the account, and the release to be made to USAID/PLAN projects. This Release Plan is signed by both the Director of SFC/PLAN and the Director of USAID, and then presented to Citibank with the Letters of Transfer for authorization to process the funding requests.

Both USAID and PLAN monitor these releases on a Release Movement schedule in order to make sure that the release for each project is processed. Once the Debit Note is issued by Citibank a memorandum is sent to the project indicating that a Counterpart Fund Release has been deposited in their project's bank account. The project is obliged to return this memorandum confirming reception of the funds in their account.

USAID and PLAN may then proceed to update their accounting of Counterpart Fund deposits and releases. The agent from SFC/PLAN is responsible to retrieve the Debit Notes at the bank and provide copies of these to the Loan Accountant at USAID Controller Office. The Loan Accountant/USAID and the Accounts Dept/SFC prepare monthly financial status reports based on these documents. SFC/PLAN provides a quarterly CPF financial status report to USAID for reconciliation.

When CPF Releases are confirmed, the CPF accountant enters the amounts onto a computer spreadsheet which then calculates the cumulative releases made to date, the percentage of the budget released and the balance which remains for the year by project. Confirmed releases appear in the respective months column in order for future reference in Quarterly Financial Report analysis.

4.) Financial reporting at the central government level.

See points 2.) & 3.) above

5.) Financial reporting by recipients or end-users.

Each USAID project (or recipient or end-user) is obliged to prepare a CPF Quarterly Financial Report. The forms for these reports are designed and provided by USAID Controller Office. In summary the Quarterly Financial Report forms request that the project detail Initial Balance, Counterpart Fund and Other Funds Recieved, Quarterly (and Annual Cumulative Expenses) by Budget Category Line Item, and the resulting Final Balance for the Quarter. The forms also exact a reconciliation of actual Cash and Bank situations. Due to the unavoidable circumstance of interproject Loans and internal project Salary Advances the Controller Office has recently requested that the projects report Loan and Advance balances as well.

These Quarterly Financial Reports are viewed by the USAID Project Officer and then passed on to the CPF Accountant for analyses. The CPF Accountant has designed several programs on the WANG PC/Lotus 1.2.3. which facilitates the task of analysing quarterly financial reports coming from approximately 35 projects or recipients.

These programs include one spreadsheet which lays out the project's approved annual budget by quarters and the total. The spreadsheet allows for quarterly expenses to be logged in by line item, while the program calculates the total expenditure for the quarter, annual cumulative expenditure by line item and the percentage of the budget by line item consumed to date.

The second spreadsheet deals with project balances from quarter to quarter and year to year as a sort of long term analytical tool. The spreadsheet displays initial quarter balance, quarterly CPF receipts (as well as any other miscellaneous receipts), the total project expenditure for the quarter and the resulting final project balance for the quarter. This is followed by the following quarters initial balance, CPF receipts, quarterly expenditure and final balance and summarized by a synthesis with the totals of the projects' annual approved budget, year end cumulative releases and annual cumulative project expenditure. The final balance is carried over to the next year.

These two spreadsheets together allow for an overall global assessment of a project's performance in financial terms from a particular year's quarterly situation to a larger period of five to ten years.

6.) Procedures used by Host Government and AID to release funds to recipients. See point 5.) above.

ANNEX VI

Institutions and Organizations in Zaire
that Deal with the Commodity Import Program

1. The Ministry of Plan signs all CIP grant agreements. The Counterpart Fund Division of the Ministry jointly approves with USAID all dollar commitments for the CIPs. In addition, with USAID it jointly manages the programming and disbursement of counterpart funds for USAID/GOZ development projects.

2. The Bank of Zaire legislates all matters concerning local and foreign currencies and commercial banking. Regarding the CIPs the Central Bank issues circulars that specify the requirements, procedures and obligations of commercial banks participating in the programs.

3. Commercial Banks in Zaire handle the opening of letters of credit and counterpart fund payments for participating importers.

4. Private Manufacturing Firms import goods and raw materials under the CIP for their own use or transformation, while retail/distribution companies import goods for resale. These goods include machinery, heavy equipment, and spare parts, or such raw materials as plastics and paper.

5. The End-Users of CIP financed imports include those companies, traders, or individuals which purchase imported goods, and individuals in the cities and rural areas who purchase products produced, processed, packaged, or transported in part as a result of CIP financing.

Annex VII

EMBASSY OF THE
UNITED STATES OF AMERICA

Agency for International Development
Kinshasa

AID/PDO/0121/004/87

Kinshasa, 10 September 1987

Letter to All Potential Zaire Importers Concerning Participation in USAID Commodity Import Program

Reference: Banque of Zaire Circular 238 (USAID Financial Assistance)

Citoyens, Gentlemen:

1. The purpose of this letter is to ascertain your interest in participating in a new USAID program for financing imports. $15.0 million for this program are available under USAID Structural Adjustment Support Grant No. 660-K-603 (USAID Project 660-0121) to the Government to Zaire. Procedures for participating in the program are currently described in the Banque of Zaire Circular No. 238. The minimum letter of credit value for any transaction is $10,000.00.

2. The Structural Adjustment Support Grant seeks to assist the Government of Zaire in its economic policy reforms by providing foreign exchange for the importation of goods and materials to be used in the agricultural and agro-industrial sectors, including transportation. Such goods and materials must be inputs to agriculture, or inputs to industries that support agriculture either by producing goods or services supporting agricultural production and marketing, or by adding value to Zairian agricultural products. Eligible commodities under grant 660-K-603 may include, but are not limited to:

- trucks and spare parts
- jute and other materials for use in the manufacture of agricultural sacks
- marine engines
- raw materials and chemicals for the manufacture of truck tires
- steel for the manufacture of boats, tools and implements, etc.
- refrigeration equipment
- machinery and spare parts for the forestry sector
- animal feed
- fertilizer
- heavy equipment for the construction and maintenance of agricultural roads
- generator sets
- raw materials, equipment and spare parts for use in agro-industries processing Zairian agricultural commodities, such as textiles, sugar, soap, coffee and tea, other food processing and packaging, etc.
- radio equipment for the agro-industrial sector.

There are many other important commodities that may be imported provided all items financed are destined for support of the agricultural sector or related agro-industries.

AID/PDO/0121/004/87

Kinshasa, 10 September 1987

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- trucks and spare parts
- jute and other materials for use in the manufacture of agricultural sacks
- marine engines
- raw materials and chemicals for the manufacture of truck tires
- steel for the manufacture of boats, tools and implements, etc.
- refrigeration equipment
- machinery and spare parts for the forestry sector
- animal feed
- fertilizer
- heavy equipment for the construction and maintenance of agricultural roads
- generator sets
- raw materials, equipment and spare parts for use in agro-industries processing Zairian agricultural commodities, such as textiles, sugar, soap, coffee and tea, other food processing and packaging, etc.
- radio equipment for the agro-industrial sector.

There are many other important commodities that may be imported provided all items financed are destined for support of the agricultural sector or related agro-industries.

3. Unlike past programs, USAID will finance imports under this grant from selected developing countries, in addition to the United States. Goods may be of the source and origin of those countries defined in A.I.D. Regulation I as being under A.I.D. Geographic Code 941 (Attachment 1).

4. Under the A.I.D. regulations which govern the financing of imports, USAID is to arrange for the publication of a list of possible commodities to be imported under grant 660-K-603. This notice, which is published in an A.I.D. trade bulletin with nation-wide distribution in the United States, provides information about trade opportunities to American suppliers, and enables them to contact importers in Zaire. Companies in Zaire which seek to participate in this program, but which are not manufacturer's representatives, should ask USAID to publish their list of possible imports in an A.I.D. trade bulletin.

Thus, if you anticipate having any interest in participating in this new program, we encourage you to return Attachment 2 to USAID so as to be included in the initial publication. Please bear in mind that the purpose for which the goods are to be imported must be in support of the agricultural sector or related agro-industries including transportation. In order for USAID to publish information about your firm and the products which you may be interested in importing under USAID Grant 660-K-603, your reply should reach the undersigned not later than May 29, 1987.

5. As a matter of information, the import program under Banque du Zaire Circular 238, provides for the following:

A. Firms in Zaire who are representatives of manufacturers in the United States or in one of the countries listed above as being in Code 941 are not required to seek competitive bids to import goods directly from the manufacturer. They may present proforma invoices from their manufacturer, together with a certificate from the manufacturer to the effect that they are the exclusive representative for Zaire (or for a specific area if there is more than one exclusive agent). Under A.I.D. regulations, the supplier is required to price the goods to his distributor at the usual market export price. Should A.I.D., upon post audit, ascertain that the price charged is excessive, the supplier will be required to reimburse A.I.D. for the amount in excess of the established price.

Note: While local representatives are not required to publish trade notices for the import of their manufacturers' products, we still encourage those firms which fall under this category to send in Attachment 2 indicating their interest in the program.

B. Firms in Zaire who are not representatives of manufacturers in eligible source countries are required to seek a reasonable number of quotations from interested suppliers and to negotiate to obtain the most advantageous offer. Once such quotations have been secured, the importer may request approval of the proforma that he has determined to be the most advantageous. If such a transaction is approved, the transaction will also be subject to post audit in the same manner as noted for the manufacturer's representative, except that in this case the price will be evaluated in terms of the general export market from the source country for similar items. Should your firm fall within this category, you will want to return Attachment 2 in order to have your firm included in the trade publication described in the preceeding Paragraph 4.

C. Although inspection of goods from the United States prior to shipment has not been required under the USAID financed import programs, such inspection may be required at the discretion of USAID depending on the nature of the goods and the source of supply. However, the inspection of goods is required under the USAID financed import programs for goods imported from countries other than the States. In such cases, the foreign exchange costs of the inspections may be included in the Letter of Credit. The supplier would be required to pay the inspecting firm and would be reimbursed under the letter of credit.

6. Function of local banks designated as "Approved Applicants":

A. There are six local banks authorized as "Approved Applicants" to open letters of credit under the terms of Circular 138. These are:

- Citibank (Zaire) S.A.R.L., P.O. Box 9990, Kinshasa I
- Banque Commerciale Zairois, P.O. Box [illegible], Kinshasa I
- Banque du Peuple, P.O. Box [illegible], Kinshasa I
- Banque Grindlay International au Zaire, P.O. Box 16297, Kinshasa I
- Union Zairoise de Banques, P.O. Box [illegible], Kinshasa I.
- Barclays Banque, S.A.R.L., P.O. Box 1299, Kinshasa I.

B. Importers should address their requests to participate in this program to one of the six banks serving as "Approved Applicants." The banks will make a preliminary review and determination that the transaction and goods desired to be imported fall within the program objectives. Importers will be expected to fully explain in their application their intended use of the products to establish how the imports support the agricultural sector or a related agro-industry. The bank will either reject such applications or forward them to USAID recommending approval. The bank recommendation will also include a statement about the financial standing of the importer and the relative financial risk involved in financing the transaction.

70

Note: The bank letter will serve to confirm the interest of both the importer and the bank in participating in the transaction in question, but will in no way constitute an obligation or commitment on the part of the bank towards the importer, or on the part of USAID and the Department of Plan to approve any transaction under subject program.

C. If the importer is proposing the importation for resale, he must identify in his application the customers or category of customers to whom the goods will be sold.

D. Importers who are not manufacturer's representatives must present with their applications to the approved applicant bank a summary of the quotations received. In the summary the importer should indicate the name of each supplier (complete with mailing address), the price quoted, and the identification of the proforma invoice received. The importer will explain in his application the reason why he selected the particular supplier to whom the letter of credit will be opened.

E. All importers should understand that their statements to the approved applicant banks may be subject to verification if their application is approved, and that false representations could result in the importer being disqualified from future USAID financed programs. As a matter of information, the A.I.D. regulations under which this grant was made to and accepted by the Government of Zaire require that importers (and banks) maintain all records pertaining to approved transactions for a minimum of three (3) years for possible audit, should the need appear warranted.

F. All proforma invoices submitted by any importer must have the goods identified by the pertinent U.S. Department of Commerce Schedule "B" Code. This requirement will apply even when the proforma is rendered by a firm in a country other than the United States. Assistance in identifying the pertinent Schedule "B" Code can be secured from the Commercial Section of the American Embassy in the concerned country.

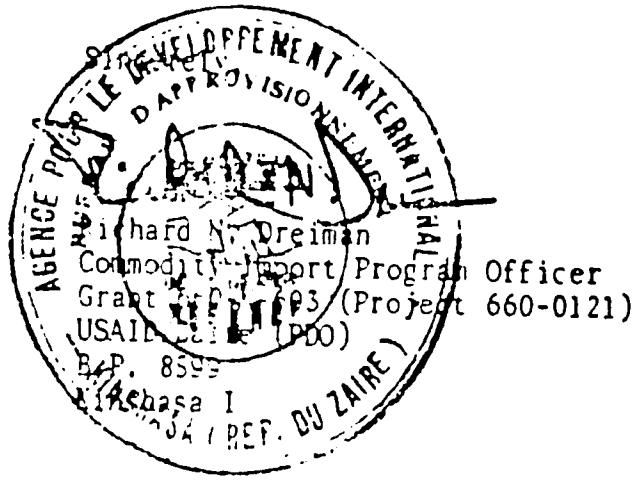
7. Approval of transactions:

A. Applications which are forwarded by the Approved Applicant banks will be reviewed by USAID. If favorably considered, they will be referred by USAID to the Department of Plan of the Government of Zaire with a recommendation for joint approval by USAID and the Department of Plan.

B. When approved, the proforma accepted by both the USAID and Department of Plan will be transmitted, along with a joint approval letter, to the Approved Applicant bank serving the importer. This letter will authorize the bank to issue the import license and will specify the method of payment; either by documentary credit or by Direct Letter of Commitment, which USAID/Zaire will issue. A copy of the joint approval letter will be furnished to the importer and a date will be set for opening of the letter of credit beyond which the approval will not be valid.

8. Again, if your firm desires to participate in this program under the conditions outlined above and in the Banque du Zaire Circular 238, please complete and return Attachment 2 to USAID.

9. In hoping to hear from you soon, we thank you for your interest in this financial assistance program.




Richard N. Dreiman
Commodity Import Program Officer
Grant No. 660-0123 (Project 660-0121)
USAID/Zaire (PDO)
B.P. 8599
Kinshasa I

Attachments: 1) List of Code 941 Countries
2) Form for Publication of Trade Opportunities

72

AID/PDO/0121/004/87

## Attachment 1

## A.I.D. Geographic Code 941

Eligible countries identified under A.I.D. Geographic Code 941 include the United States and selected developing countries. These selected countries consist of those African, Asian, or Latin American countries not indicated below. Ineligible countries under Code 941 include Zaire[1] and the following:

| Europe | | Other | |
|---|---|---|---|
| Andorra | Luxembourg | Afghanistan | Libya |
| Austria | Malta | Angola | Mozambique |
| Belgium | Monaco | Australia | New Zealand |
| Denmark | Netherlands | Bahrain | Qatar |
| Finland | Norway | Canada | Saudi Arabia |
| France | Portugal | Cyprus | Singapore |
| Germany, Federal Republic of (including West Berlin) | San Marino | Gabon | South Africa |
| | Spain | Greece | Syria |
| | Sweden | Hong Kong | United Arab Emirates |
| Italy | Switzerland | Iran | Yemen, Peoples Democratic Republic of |
| Ireland | United Kingdom | Iraq | |
| Iceland | Vatican City | Japan | |
| Liechtenstein | Yugolasvia | Kuwait | |

Also excluded are the following areas or countries: USSR, Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Poland, Vietnam, North Korea, People's Republic of China, Mongolia, Laos, Cambodia, and Cuba.

(1) (Zaire): Eligible only for transportation of commodities.

AID/PDO/0121/004/87

Attachment 2

Publication of Trade Opportunities
A.I.D. Grant 660-K-603 (Project 660-0121)
Structural Adjustment Support Grant

_____Yes, we are interested in the possibility of participating in the Commodity Import Program. Please publish the following information in the A.I.D. trade bulletin.

_____Yes, we are interested in the possibility of participating in the program. As we are a manufacturer's representative, we would appreciate it if you would keep the following information in your files.

_____No, we are not interested in participating in the program at this time. Please keep this information in your files, however, in the event that we seek to participate in the program at a later date.

1) Name of Company _____

2) Mailing Address _____

_____

_____

3) Responsible Managing Director(s) _____

_____

4) Telex Number and Answerback (if any) _____

5) Cable Address (if any) _____

6) Telephone number _____

7) Name of firm's bank _____

8) Mailing address of bank _____

_____

(Continued on next page)

Attachment 2 (continued)

9) List of commodities which the firm might be interested in importing under USAID Grant 660-K-603

a) _____

b) _____

c) _____

d) _____

(Be as specific as possible) e) _____

(Use additional sheets if necessary)

10) Intended use of goods in 9) above in support of agricultural sector or agro-industries, including transport

_____

_____

_____

Please return to: M. Richard N. Dreiman
Commodity Import Program Officer
Grant 660-K-603 (Project 660-0121)
USAID/Zaire (PDO)
B.P. 8599
Kinshasa I

Note: By returning this form you do not commit your firm in any way to participate in this Financial Assistance Program Grant 660-K-603. Also publication of trade opportunities in the AID trade bulletin does not in any way constitute an obligation or commitment on the part of either USAID or the Government of Zaire to approve a transaction under subject program.

Annex VIII

EMBASSY OF THE
UNITED STATES OF AMERICA
Agency for International Development
Kinshasa

AID/PDO/0121/008/87

CHECKLIST FOR IMPORTERS
UNDER USAID GRANT 660-K603
(PROJECT 660-0121)

A. Items to appear in the Importer Request to participate in the program:

1) Identification of the underlying proforma invoice(s) to be approved. This citation should include the name of the firm, its address, and the number and date of the proforma invoice(s). Such reference to the underlying proforma is to appear in the letter of credit, which will thus be tied to the purchase contract or agreement.

2) Listing of all pertinent U.S. Department of Commerce Schedule "B" codes. If a large number of codes is involved (as in the purchase of spare parts), they should be listed on an attached sheet that is part of the application.

3) The number of USAID Grant 660-K-603 and Project 660-0121.

4) A statement as to the intended use of the goods or materials, and an explanation of how the imports will support the agricultural or agro-industrial sectors, including transportation.

5) A copy of the proforma invoice(s) for which approval is requested should be attached. The proforma(s) should include a description of the goods, quantities, unit prices, total FOB costs, estimated freight and insurance, and total estimated CIF prices. It should also indicate all pertinent Schedule "B" codes, and state the source and origin of the goods.

6) Importers who are representatives of manufacturers or suppliers should attach to their request a copy of the certificate from the manufacturer/supplier indicating that the importer is the exclusive representative of the product for Zaire.

7) Importers who are not dealers or distributors should justify in their request their selection of the proforma invoice(s) for which letter(s) of credit will be opened (e.g., price, supplier experience and reliability, etc.). Also attached to the request should be a summary table of all quotations received by the importer. The table should indicate the name of each offeror (complete with mailing address), prices quoted, and the identification number of each proforma invoice received, in order that a comparison of quotations can be made. In the event that only one proforma invoice was received the importer should so state in his request.

8) Importers proposing to import goods for resale should identify in their request the customers or category of customers to whom the goods will be sold.

9) Importers should also request the longest possible validity period for the letter of credit and import license consistent with the AID Letter of Commitment under which the credit is to be opened. Any decision as to a shorter period of time, however, is left to the importer to decide.

B. Validation of the Import License I/AF:

Approved Applicant banks are urged to register the I/AF license for the maximum period allowed by the pertinent AID Letter of Commitment as authorized in Para I, 2, of Bank of Zaire Circular No. 234, as amended.

The expiration date of the license should be not less than 60 days following the expiration of the letter of credit to allow time for shipment from port of export to entry into Zaire.

C. Items to appear in Letters of Credit when opened:

1) All of the U.S. Department of Commerce Schedule "B" codes pertinent to the commodities covered by the L/C are to be listed on the L/C or on any attached sheet that is made part of the L/C if necessary due to the number of codes.

2) The AID letter of commitment number under which the L/C is to be opened is to be cited exactly as authorized by USAID, e.g. "L/COM 660-K60301. Also indicated should be the USAID transaction number, e.g., TRANS-XXX-60301-01.

3) The commodities to financed under the L/C are to be briefly described in English and reference must be made to the underlying proforma invoice for which the L/C is to be payment. The proforma is to be cited by name of firm, number and date.

(NOTE: If difficulty is encountered in determining how to summarize the commodities and/or to identify the proforma, the USAID Project Officer (Phone 28826, 27182, or 26451) is available to advise the bank.)

4) The number of the import license must be cited.

5) The final date for shipment will be consistent with the importer's request, but in no case beyond that allowed by the Letter of Commitment.

6) If any AID Special Provisions apply for the commodities authorized under the L/C, they will be specified in the approval letter from USAID/Department of Plan to the Approved Applicant bank, and the L/C, in turn, must carry the notation for the U.S. bank and the Supplier as follows:

"AID Special Provision No. _____ applies".

(NOTE: AID special provisions apply to selected commodities to assure quality control and to protect the importer. These are usually in the form of inspections or tests to be made which require a certificate to be presented by the supplier to the U.S. bank in order to secure payment.)

7) The instructions to the U.S. bank, which are usually attached to and made part of the L/C, must require that the following statements appear in English in the L/C when it is notified to the beneficiary:

"This supplier has mailed in separate sets a copy of the supplier's invoice, bill of lading, packing list, supplier's certificate (AID form 282), and insurance certificate to the USAID Controller, American Embassy, USAID/Zaire, APO New York 09662-0006, and to the Structural Adjustment Support Grant (660-0121), USAID/Zaire (PDO), American Embassy, APO New York 09662-0006."

If a vessel under flag registry of a country included in Code 941 or of the cooperating country is not available, waiver should be obtained prior to shipment from the Office of Commodity Management (M/SER/OP/COMS) of the Agency for International Development, Washington, D.C. 20523, Telex 248766 COM UR.

These instructions are in addition to the requirements of the Letter of Commitment, which the U.S. bank is required to follow.

Annex IX

EMBASSY OF THE
UNITED STATES OF AMERICA
Agency for International Development
Kinshasa

INSTRUCTIONS FOR DIESEL FUEL IMPORTERS
UNDER USAID GRANT 660-K-603 (PROJECT 660-0121)

A. Importer's Letter to USAID Requesting Financing:

1) The Importer's letter should contain the following:

a) quantity of diesel (m3) to be imported per month;

b) estimated price of the diesel (m3) FOT Nairobi (or FOB from any other AID Code 941 country) and CIF Kivu/Haut Zaire;

c) total estimated cost of diesel imports per month;

d) total estimated cost of diesel imports for six months;

e) probable source and origin of the diesel fuel;

f) explanation of how the diesel fuel imports will support the agriculture, agro-industrial, or transport sectors.

B. Solicitation of Quotations:

1) Each offer, proforma invoice, or other formal quotation must include all of the following information:

a) name and address of the Supplier, including the name of a person responsible and a telex number;

b) name and address of the Importer;

c) name and address of the Supplier's bank, including the name of a person responsible and a telex number;

d) the country wherein the Supplier's business is legally situated;

e) a description of the diesel fuel, including specifications, quantities, unit prices, total cost FOT Nairobi (or FOB from any other AID Code 941 country), estimated freight and insurance costs, and the total estimated cost CIF (Goma/Bukavu/Beni/Butembo);

f) U.S. Department of Commerce Schedule "B" code for the diesel fuel. The U.S. Department of Commerce, U.S. Embassies and Consulates, and USAID Missions all have copies of the Schedule and can assist suppliers outside the U.S. in determining the appropriate Schedule "B" code for diesel fuel.

g) the country in which the diesel fuel was refined, i.e., the origin country of the diesel. If the diesel proposed for export to Zaire was refined in several countries, the Supplier must indicate the name of each country from which the diesel originates and the percentage of diesel from each country in the total quantity offered.

(NB: In order to be eligible for financing under Grant 660-K-603, more than 50% of the diesel fuel must be refined in Kenya or another country eligible under this Grant (AID Geographic Code 941, such as the USA' Kenya, Tanzania, India, Indonesia, etc.) If any of the diesel offered by the Supplier was refined in Iran, Libya, Syria, the People's Democratic Republic of Yemen, the USSR, or any country under Soviet influence, then the deisel is ineligible and the Supplier's offer cannot be considered.)

h) percentage of the FOT (or FOB) value of the diesel fuel refined in Kenya or another eligible country (AID Geographic code 941);

i) source of the crude oil used to make the diesel fuel;

(NB: If any of the diesel fuel was refined from crude oil originating in Iran, Libya, Syria, the People's Democratic Republic of Yemen, the USSR, or any country under Soviet influence, then the diesel is ineligible and the Supplier's offer cannot be considered.)

j) source country of the diesel fuel;

k) validity of the quotation or proforma invoice;

l) terms of delivery and payment, which must conform to AID Regulation I and the terms and conditions of Grant 660-K-603.

C. Method of Payment:

Suppliers exporting diesel fuel to Eastern Zaire under Grant 660-K-603 will be paid by irrevocable Letters of Credit opened by one of the Approved Applicant Banks in Zaire. The Letters of Credit will be confirmed by one of the approved participant American banks, which will pay the Supplier through the latter's bank.

D. Payments to the Counterpart Fund Account:

Payments to the Counterpart Fund Account will be made as follows:

1) Upon the opening of the Letter of Credit, the Importer will pay in zaires a minimum of 25% of the CIF price. The amount of the payment will be calculated using the average exchange rate published by the Bank of Zaire the day of the opening of the Letter of Credit. All payments in zaires to the Counterpart Fund Account (No. 11991985 opened at Citibank) will be calculated at the exchange rate in effect on the opening of the Letter of Credit.

2) For the balance of 75% maximum, the Importer will sign a promissory note on the same day that the Letter of Credit is opened. The promissory note will be non-endorsable and guaranteed by the Approved Applicant Bank, and will be made out to the Secretariat of the Counterpart Funds/Department of Plan. The due date of the promissory note will be 90 days from the date of opening of the Letter of Credit.

Annex X

MEMORANDUM FOR THE RECORD

Date :

From :

To : Files

Subject: Visit of Importer - CIP Grant 660-K603 (Project 660-0121)

1. Name of Company: _____

   Address: _____

   _____

   _____

   Tel No.: _____

2. Persons spoken to: _____

   _____

   Meeting held at: _____

   Time: _____

   USAID representatives present: _____

   _____

   Is this the company's first visit to USAID/CIP? Yes_____ No_____

   If no, indicate dates of previous visits: _____

3. How did persons become aware of CIPs? _____

   | News paper | | Bank Circular | | From other businesses |

   Other_____

4. Did the persons have a copy of Bank of Zaire Circular?
   Yes_____ No_____

   Where they were given a complete copy of CIP instructions and Bank of Zaire Circular? Yes_____ No_____

   If not, why not (eg. ineligible items, importer not interested, etc)?

   _____

5. Does the firm represent an American Manufacturer/Supplier?
   Yes_____ No_____

   If yes, who do they represent, and what type of goods do they import?

   _____

   If no, what is the nature of their business? _____

   _____

DATE:_____

6. Is the firm interested in importing US-made goods? Yes_____ No_____

If yes, are the present terms for counterpart deposits agreable?
Yes_____ No_____

(If no, why not? _____)

If satisfied with the terms for counterpart deposits, what types of goods might the firm import and for what approximate value?

_____

_____

If not satisfied with the payment terms, what terms would make importation of U.S. goods interesting to the importer?_____

_____

How will the above-cited goods support the agricultural sector or related agro-industries, included transportation?_____

_____

7. Is the firm interested in importing goods from code 941 countries?
Yes_____ No_____

If yes, are the present terms for counterpart deposits agreable?
Yes_____ No_____

(If no, why not? _____)

If satisfied with the terms for counterpart deposits, what types of goods might the firm import and for what approximate value?

_____

_____

If not satisfied with the payment terms, what terms would make importation of goods from code 941 countries interesting to the importer?_____

_____

How will the above-cited goods support the agricultural sector or related agro-industries, included transportation?_____

_____

8. Has the firm contacted its bank about participation in any of the CIP grants?
Yes_____ No_____

If yes, with whom have they spoken and at what bank?_____

_____

87

DATE:_____

9. Preliminary Recommendations

a. Has the firm expressed interest in importing any potentially eligible items that would support agriculture, agro-industry, or related transport sectors? Yes_____ No_____

b. If yes, what are the items:_____

_____

c. If yes, did USAID suggest to the firm that it contact one of the approved applicant banks to discuss the CIP terms, and then send a letter to USAID stating its interests (including a request for publication)? Yes_____ No_____

d. Other suggestions made to the firm:_____

_____

10. Additional Observations/Comments:_____

_____

_____

_____

(Dreiman/pp. 28-30)

Annex XI

# DECLARATION

De : (Importateur) _____

A : (Banque) _____

CONCERNE : Modalité de Constitution du Fonds de Contrepartie sur DON USAID No._____ Projet No._____ Transaction No._____ Circulaire B.Z. No._____ telle qu'amendée.

Je soussigné,_____ reconnais avoir déclaré par la présente, que le premier/deuxième (1) calendrier des paiements est choisi par moi-même pour couvrir les frais en zaires de l'importation de _____ que l'USAID et le Département du Plan ont approuvé.

Je reconnais en outre qu'après avoir signé cette déclaration, mon choix reste définitif.

Je reconnais aussi avoir pris connaissance de ces deux possibilités de paiement en annexe avant de me décider définitivement.

POUR LA SOCIETE: _____
NOM : _____
GRADE : _____
SIGNATURE : _____
DATE : _____

SCEAU DE LA SOCIETE.

(1) Biffer la mention inutile.

C.C.: - USAID
- Secrétariat du Fonds de Contrepartie

Vu et approuvé par l'USAID

_____
Richard N. Dreiman
Responsable des Programmes
d'Importation Commerciale

BANQUE DU ZAIRE

LE VICE-GOUVERNEUR

Kinshasa, le 2 mai 1987
D 14/V.Gouv. n° 7069.

Citoyen Président,

Concerne : Circulaire 224 - Don A.I.D. 660-K 601 (Projet 660-0100)
Circulaire 224 - Don A.I.D. 660-K 602 (Projet 660-0103)

Me référant à la lettre n° 00244/D.P /CAB/CE/SPN/bym/87 du 2 avril 1987 adressée à la Banque du Zaïre par le Secrétaire d'Etat au Département du Plan, en rapport avec l'objet sous rubrique, j'ai l'honneur de vous communiquer ci-après les modifications à porter au point III des Circulaires précitées concernant la constitution du fonds de contrepartie et au compte en banque où ce fonds devra être logé.

1. a) Tous les paiements seront calculés sur base du taux de change moyen publié par la Banque du Zaïre, le jour de l'ouverture de la lettre de crédit ou le jour de l'enregistrement du modèle I/AF par la banque agréée.

b) L'échéance de paiement du solde de 50 % maximum est ramenée de 180 jours à 90 jours à partir de la date de l'endossement du document d'expédition des marchandises par la banque agréée.

c) Toutefois, l'importateur peut choisir entre le calendrier des paiements actuellement en vigueur ~~et le deuxième~~ proposé ci-dessus. Le choix qui restera définitif devra être indiqué dans la lettre de demande d'approbation des proforma.

2. Désormais le fonds de contrepartie d'origine américaine sera logé au compte n° 11991985 ouvert auprès de la Citibank/Kinshasa au nom du Département du Plan/Fonds de Contrepartie.

Au Citoyen Président de
l'Association Zaïroise des
Banques

KINSHASA

.../...

Je vous prie de communiquer d'urgence le contenu de la présente aux membres de votre Association.

Veuillez agréer, Citoyen Président, l'assurance de ma parfaite considération.

GBENDO NDEWA TETE
Vice-Gouverneur.

Deux possibilités de calendrier des paiements actuellement en vigueur pour la constitution du Fonds de Contrepartie.

1. AU TERME DU PERMIER CALENDRIER, lors de l'ouverture du crédit documentaire, l'importateur effectuera un paiement minimum en zaires de 20% du prix CAF/port d'entrée de la marchandise, au compte No. 11991985 ouvert à la Citibank/Kinshasa au nom du Secrétariat du Fonds de Contrepartie/Département du Plan. Le montant de ce paiement sera calculé sur base du taux de change moyen publié par la Banque du Zaire le jour de l'ouverture de la LETTRE DE CREDIT.

Dans le cas de paiement au fournisseur par LETTRE D'ENGAGEMENT DIRECT, l'importateur effectuera un paiement minimum en zaires de 20% calculé au taux de change moyen publié par la Banque du Zaire, le jour de l'enregistrement du modèle "I/AF" par la banque agréée.

Au moment de l'endossement de l'original du B/L/CDA ou autres documents de transport par la banque agréée, l'importateur versera une provision en zaires minimum de 30% de la valeur CAF/port d'entrée au cas où il n'aurait pas effectué un versement en zaires supérieur à 20% de la valeur CAF/port d'entrée lors de l'ouverture du crédit documentaire ou lors de l'enregistrement du modèle "I/AF".

Par ce versement complémentaire, le paiement total effectué par l'importateur doit atteindre au minimum 50% de la valeur CAF/port d'entrée de la marchandise. Ce second paiement sera calculé sur base du taux de change moyen publié par la Banque du Zaire le jour de l'endossement. Ce dernier taux de change sera appliqué sur les autres versements ultérieurs.

Pour le solde de 50% maximum, l'importateur souscrira au moment du paiement des 30% c'est-à-dire le jour de l'endossement des documents, un billet à ordre, avalisé par une banque commerciale agréée, en faveur du Fonds de Contrepartie, payable à 180 jours de la date de l'endossement.

2. AU TERME DU DEUXIEME CALENDRIER, tous les paiements seront calculés sur base du taux de change moyen publié par la Banque du Zaire, le jour de l'ouverture de la Lettre de Crédit ou le jour de l'enregistrement du modèle "I/AF" par la banque agréée. C'est-à-dire, lors de l'ouverture du crédit documentaire, l'importateur effectuera un paiement minimum en zaires de 20% du prix CAF/port d'entrée de la marchandise, au compte No. 11991985 ouvert à la Citibank/Kinshasa au nom du Secrétariat du Fonds de Contrepartie/Département du Plan. Le montant de ce paiement sera calculé sur base du taux de change moyen publié par la Banque du Zaire le jour de l'ouverture de la LETTRE DE CREDIT.

Dans le cas de paiement au fournisseur par LETTRE D'ENGAGEMENT DIRECT, l'importateur effectuera un paiement minimum en zaires de 20% calculé au taux de change moyen publié par la Banque du Zaire, le jour de l'enregistrement du modèle "I/AF" par la banque agréée.

Au moment de l'endossement de l'original du B/L/CDA ou autres documents de transport par la banque agréée, l'importateur versera une provision en zaires minimum de 30% de la valeur CAF/port d'entrée au cas où il n'aurait pas effectué un versement en zaires supérieur à 20% de la valeur CAF/port d'entrée lors de l'ouverture du crédit documentaire ou lors de l'enregistrement du modèle "I/AF".

Par ce versement complémentaire, le paiement total effectué par l'importateur doit atteindre au minimum 50% de la valeur CAF/port d'entrée de la marchandise. Le taux de change applicable pour ce second paiement sera le même qu'à l'ouverture du Crédit Documentaire et sera calculé sur base du taux de change moyen publié par la Banque du Zaire le jour de l'ouverture de la Lettre de Crédit. Ce même taux de change sera aussi appliqué sur les autres versements ultérieurs.

Pour le solde de 50% maximum, l'importateur souscrira au moment du paiement des 30% c'est-à-dire le jour de l'endossement des documents, un billet à ordre, avalisé par une banque commerciale agréée, en faveur du Fonds de Contrepartie. L'échéance de paiement de ce solde de 50% maximum est ramené à 90 jours de la date de l'endossement.

Annex XII

**ARRIVAL REPORT**
**RAPPORT D'ARRIVEE**

Date_____

1. Importer/Importateur:

2. L/COMM Number / No. de la Lettre d'Engagement:_____

3. Letter of Credit No. / Numéro de la Lettre de Crédit:_____

4. Approved Applicant / Banque Notificatrice:_____

5. Bill of Lading Number / No. du Connaissement:_____

   Vessel / Navire :_____Date:_____

   Transhipment / Transbordement:_____

   _____

   Voyage / Voyage : (du dernier navire)_____

6. Commodity Description / Type de Marchandise:_____

   Transaction Control No. / Numéro de la Transaction:

   Quantity: ea, MTs, LTs, Gals, etc./Quantité: Tonnes, Gallons, etc.

7. Date of Arrival / Date d'Arrivée à Matadi:_____

8. Date Cleared by Customs / Date du Dédouanement:_____

9. Date Received at Importer's Receiving Area:_____
   Date de Réception par l'Importateur:

10. Shortages / Overages (if any):_____
    Manquants / Surplus (selon le cas)

11. Insurance Claim (if any)
    Réclamation d'Assurance (selon le cas)

12. Remarks / Remarques: