PD-BBF 340

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PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE

Agricultural Inputs Support Program II*

2. PROJECT NUMBER 660-0107

3. MISSION/AID/W OFFICE USAID/Kinshasa

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 87/04

[X] REGULAR EVALUATION [ ] SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PRO-AG or Equivalent FY 85

B. Final Obligation Expected FY 85

C. Final Input Delivery FY 88

6. ESTIMATED PROJECT FUNDING

A. Total $ 10,000,000

B. U.S. $ 10,000,000

7. PERIOD COVERED BY EVALUATION

From (month/yr.) July 1985

To (month/yr.) January 1987

Date of Evaluation Review February 1987

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
*Jointly evaluated with Projects 660-0100 and 660-0121.		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- [ ] Project Paper
- [ ] Financial Plan
- [ ] Logical Framework
- [ ] Project Agreement
- [ ] Implementation Plan e.g., CPI Network
- [ ] PIO/T
- [ ] PIO/C
- [ ] PIO/P
- [ ] Other (Specify) ______
- [ ] Other (Specify) ______

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. [ ] Continue Project Without Change

B. [ ] Change Project Design and/or [X] Change Implementation Plan

C. [ ] Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Mr. Stan Siegel, Team Leader
Mr. Manfred Wurlitzer, Economist
Mr. Pierre [illegible], REDSO/CMO
Mr. Murl Baker, REDSO/PDO
Mr. Robert [illegible], Project Officer, USAID/PDO

12. Mission/AID/W Office Director Approval

Signature

Typed Name

Date

AID 1330-15 (3-78)

IMPACT EVALUATION

OF

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

Contract No. IQC 085-I-00-6089, Work Order No. 4

DEVELOPMENT ASSOCIATES
[illegible] Columbia Pike
Arlington, Virginia

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LIST OF ABBREVIATIONS

AID/W, A.I.D.	Agency for International Development, Washington
B/L	Bill of Lading
CIP	Commodity Import Program
DRA	Direct reimbursement authorization
ESF	Economic Support Funds
GOZ	The Government of Zaire
IMF	The International Monetary Fund
L/C	Letter of Credit
L/COM	Letter of Commitment
OFFICE DES ROUTES	GOZ Bureau of Roads
PAAD	Program Assistance Approval Document
PDO	Project Design and Operations Office, USAID/Zaire
P.L. 480	Public Law 480 authorizing sales and grants of surplus U.S. agricultural products
[illegible]	[illegible] Office, [illegible] Central Africa
[illegible]	[illegible]

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EXECUTIVE SUMMARY

Project Title:

(1) Project 660-0100, Agricultural Inputs Support I Program Grant

(2) Project 660-0103, Agricultural Inputs Support II Program Grant

(3) Project 660-0121, Structural Adjustment Support Program

Project Description: Each grant finances a commodity import program to be implemented through the private sector in Zaire. Commodities are to assist the agricultural sector of Zaire, primarily agricultural transport and agro-industry. Equally important objectives include reduction of Zaire's balance of payments gap, generation of local currency for USAID project support, and encouraging the GOZ to continue its economic liberalization policies.

Evaluation Purpose: To determine the impact of the first two grants on the stated objectives, on the lot of small farmers, and on industrial wages; to determine the effects of the GOZ liberalization policies on farmgate prices and production; to determine the potential impact of the third grant; and to review the management and implementation of the program.

Evaluation Methodology: Interviews with selected importers; field trips to interview farmers, traders and local government officials; interviews with relevant USAID and Embassy personnel; collection and analysis of agricultural price and production data from secondary sources; examination of CIP transaction files and controller data.

Findings: (1) Impact of program

(a) On balance of payments gap: marginal, given the amounts and disbursement rates but [illegible] important in context of total U.S. program and other donors' efforts.

(b) On agro-industry: positive in terms of utility of imports; no discernible effect on hourly wages, but there is relationship between [illegible] material imports and overall employment.

(c) On rural sector and small farmers: major impact in [illegible] and products made from imported [illegible] and from USAID agricultural and rural health projects supported by CIP and [illegible] counterpart generations.

(2) Effect of the liberalization policies on farmgate prices: generally [illegible] there is increased production [illegible] small farmers, [illegible] 3-4 years ago.

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(3) Management and Implementation:

(a) The CIP staff, as augmented by temporary duty contract assistance, is knowledgeable and efficient, but will need a larger staff to market and monitor the program properly.

(b) The Controller's office efficiently tracks and accounts for local currency generations and disbursements; arrival accounting and end-use checking lag.

(c) CIP transactions thus far conform to program objectives and AID Regulation 1 requirements.

(d) There is uncertainty among relevant USAID staff about the division of CIP oversight and accounting responsibilities, particularly given the close linkage to GOZ policy reforms.

Lessons Learned: There is a normal risk in grafting on to a CIP agreement a multitude of often divergent objectives requiring a selection of commodities between those which generate rapid dollar disbursements and local currency payments and those which contribute most directly to AID development objectives. That risk is exacerbated when, as in Zaire, the demand for CIP dollars has not reached a level sufficiently high to permit the luxury of choice. Increased oversight by USAID management may be required so that these three grants meet the competing demands on them in an optimal fashion.

Recommendations:

Recommendation No. 1. That CIP canvass the importer market to develop a potential commodity list for 121, to be published in the United States, as provided in the Columbia Plan.

Recommendation No. 2. That USAID adjust local currency payment terms for importers, particularly [illegible], to induce wider use of the program.

Recommendation No. 3. That USAID develop improved communications with potential CIP clients to enable the mission to better market this resource.

Recommendation No. 4. That USAID complete [illegible]

[illegible]

Recommendation No. 5. That USAID increase staff [illegible]

[illegible] specific arrival accounting and end-use functions.

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PREFACE

This is an annual evaluation of two on-going CIP grants (Agricultural Inputs Support Grants 0100 and 0103) funded for $10 million each out of A.I.D.'s Economic Support Funds and the new Structural Adjustment Grant 0121 for $15 million, which has not yet been implemented. Also financed from Economic Support Funds, it is part of the Africa Bureau's African Economic Policy Reform Program (AEPRP).

Because of similarities in the terms, conditions, and commodity composition, 0100 and 0103 are evaluated together; the potential impact of 0121 is considered in a separate chapter and future annual evaluations will assess actual impact. The section on program management and implementation is based on USAID's experience thus far with 0100 and 0103 and contains recommendations applicable to the three grants.

The Subcommittee on Africa of the House Committee on Foreign Affairs requested that this evaluation focus on the following issues: (1) the actual effect on farmgate prices of the government's economic liberalization policies; (2) the effect of the imported commodities on small farmers; (3) the regional availability of the commodities; and (4) the effect on industrial wages. Those issues are addressed in sections I and II.

Responsibility for integrating the various parts of the entire evaluation as delineated in the scope of work was contracted to Development Associates of Arlington, Virginia under IQC [illegible], Work Order No. 4, dated January 15, 1987. That responsibility has been discharged by Stanley J. Siegel, a Senior Associate of the firm, who arrived in Kinshasa January 14, 1987 and departed February 7. He also wrote sections II and III.

Prior to his arrival, a professional economist with several years' experience in Zaire, Manfred Mueller, was employed by USAID [illegible] to do research and prepare a narrative [illegible] the effect of [illegible] liberalization (section I). He [illegible] with particular emphasis on [illegible] the real effect of [illegible] policies on [illegible]. He also examined the effects of [illegible] on industrial workers' wages.

Pierre [illegible], the [illegible] Commodity Management Officer [illegible] in Abidjan, interviewed some importers and reviewed management and implementation issues. He [illegible] the USAID staff before he left Kinshasa on January [illegible]. [illegible] Baker, the Chief Project Development Officer in [illegible], was then detailed to this evaluation from January [illegible] to February 4. He is the author of section IV.

In [illegible]

All relevant USAID documents were made available to the team.

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Technical direction of the work and support for the team was the responsibility of Debra Rectenwald, USAID Research and Evaluation Officer in the Program Office. Her efforts were deeply appreciated.

Development Associates is responsible for the final report and the views therein, although they result from the combined efforts of many.

Stanley J. [illegible]
Senior Associate
Development Associates

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INTRODUCTION

A. Political - Economic Framework

Since gaining its independence from Belgium in 1960, Zaire has suffered the vicissitudes of a civil war, extreme fluctuations in demand and prices for many of its most important export products, internal economic and political policies which went awry, a crushing external debt and imposition of tough fiscal conditions by the International Monetary Fund. The end result has been predictable: severely restricted government budgets, sharp losses of foreign exchange, divergent exchange rates, industrial stagnation and agricultural under-production. Extreme corrective measures have been tried and then abandoned by the government: "Zairianization" of the private sector followed by nationalization and then retrocession of most agri-businesses to their original owners, and price controls on manufactured and farm products. While new economic liberalization measures adopted by the government are showing positive results, problems abound.

Concerns about Zaire's situation are shared by the World Bank, IMF, and other multilateral and bilateral donors, particularly the United States. The IMF has intervened with stand-by agreements on five different occasions since 1976; the [illegible] Agreement is pending. The World Bank is considering a $160 million Structural Adjustment Credit. Donors have formed a consortium (the "Paris Club") to review the country's progress and recommend corrective measures. The World Bank report of March [illegible] to the Consortium contains recommendations for the amelioration of current economic problems.

B. The Role of the U.S. Government

Zaire's strategic location in Africa, a plethora of mineral resources important to the U.S. defense effort, its actions to help the peace process in the Middle East, along with the government's [illegible] to assist [illegible], all underscore the U.S.'s long and continuing interest in Zaire's political and economic stability.

A.I.D. has provided economic assistance to Zaire since its independence through loans, grants, technical assistance, [illegible] programs, and P.L. 480 imports. The table below shows recent and planned resource flows of both P.L. 480 and A.I.D. programs:

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TABLE 1

RESOURCE FLOWS
(AID FY 1967 Congressional Presentation)
(in thousands of dollars)

Program	FY 1965 (Actual)	FY 1966 (Estimated)	FY 1967 (Proposed)
AID*			
Loans	1,2[illegible]	2,783	1,413
Grants	10,124	46,226	33,158
Total AID	11,339	49,009	34,571
P.L. 480**			
Title I	20,000	20,000	17,000
Title II	591	125	125
Total P.L. 480	20,591	20,125	17,125
Total AID and P.L. 480	31,930	69,134	51,696

* AID levels represent actual and estimated expenditures
**P.L. 480 levels represent actual and estimated value of shipments

Addressing Zaire's current economic problems has been of concern not only to A.I.D., but of the highest levels of the Departments of State, Treasury and Defense. While in Kinshasa the Embassy plays a lead role in the macroeconomic policy dialogue with the IMF and appropriate GOZ officials, the signing of the AEPRP grant has given USAID a significant role as well in that process. USAID also participates actively at those sectoral levels in which its program is concentrated - agriculture, health, population planning and, increasingly, the private sector. The three CIP grants comprised 23% of total U.S. economic assistance in fiscal year 1984, 33% in FY 1985, and 55% in FY 1986 in addition to generating significant amounts of counterpart for project support.

Overall, the evaluation team was impressed by how these grants are succeeding in meeting their several objectives. They provide tangible evidence of USG support for Zaire's economic liberalization policies and the reforms being pressed by the IMF. As an example, USAID is delaying implementation of the AEPRP grant because the government has not fully complied with the conditions concerning exchange rates.

The GOZ price liberalization policies have had a significant effect on agricultural production by allowing farmgate prices to respond freely to market forces.

The imported commodities or their end products are available in many parts of the country and are contributing to the well-being of the small farmer. The rural population is the direct beneficiary of the majority of US development projects, for which the local currency support will be generated increasingly by CIP imports. The AEPRP grant, when implemented, will contribute further to those benefits.

More rapid disbursements of the grants is necessary, however, and suggestions to achieve higher rates are in section IV. Management of the program is efficient, but further staff resources are required if the program is to be marketed more aggressively and with increased mission oversight.

I. EFFECTS OF PRICE LIBERALIZATION ON THE AGRICULTURAL SECTOR

For over two decades insufficient agricultural production has been a major obstacle to Zaire's development. The primary cause lay in domestic economic policies. Since 1979/81 these policies have been tempered by the implementation of a variety of economic liberalization measures. This section examines their effect on agricultural farmgate prices.

To determine the current status of producer prices, a team headed by the evaluation group economist made two week-long field trips to USAID's main project areas (Bandundu and Shaba) to interview rural- and urban- based farmers, merchants, government officials, and representatives of development organizations.

A. Evolution of the Liberalization Policy

(Those interested in a comprehensive history should read Kinshasa 3207 February 85 and Kinshasa 16931 November 86.)

The government made its first move toward economic liberalization in November 1977. Aware that Zairianization and nationalization[1] had proven counterproductive, President Mobutu outlined a new program of economic revitalization[2] emphasizing de-Zairianization, political decentralization, and economic liberalization. But beyond the initial measures of de-Zairianization, few other meaningful steps were taken until 1979 when the Ministry of Economy removed maximum farmgate prices and replaced them with minimum prices.[3] This was an important step forward even though it was not applied countrywide.

In June 1981, reacting to the continued misinterpretation of price floors as ceilings, the Ministry instituted general price liberalization measures which freed most farmgate prices except for "basic products": corn, cassava, rice, and a few cash crops (cotton, palm oil, and sugar).[4] Although these measures stimulated the marketing of many agricultural products, the same problem of misinterpretation persisted for basic products until the government freed farmgate prices for those products in 1982.[5]

B. General Policy Effects

The impact of the liberalization policy became readily apparent beginning in 1982. Producer prices increased markedly (Table 4), although consumer prices lagged (Table 5, 6, 7) due to restrictive monetary and credit policies imposed by the Bank of Zaire.[6] The margin between producer and consumer prices diminished, just as it had for manufactured goods. A large scale shift of

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Footnotes and tables appear at the end of this section.

revenue took place from traders to producers, and, in a more general way, from urban centers to rural areas. After the September 1983 devaluation (about 80%), substantial increases in agricultural producer prices continued to the end of the year (Table 4), reinforcing the general shift of revenue from urban to rural areas.

The Ministry of Agriculture's monthly reports on the marketing of agricultural products show that after a sharp rise at the end of 1983 (following devaluation), agricultural prices began to stabilize in 1984 (Table 5). Since 1986 consumer prices for agricultural products have been substantially lagging behind the general consumer price index (Table 9).

In addition to available production statistics (Tables 2, 3, and 8), these price progressions indicate that within the last two years a general equilibrium of supply and demand has been reached for most agricultural products. Empirically this seems confirmed by the absence of extreme food shortages, the decrease in erratic price fluctuations seen in prior years, and fewer imports of staple foods (Tables 5, 6, 7, and 8).

A World Bank-financed comprehensive study[7] prepared by the Ministry of Agriculture in 1985 evaluated the effects of the liberalization of agricultural producer prices. A team of researchers surveyed 207 companies involved in agriculture and 784 individual farmers. The survey revealed that almost two-thirds of the farmers had increased their production. This has also been confirmed by reports from the Ministry of Agriculture's evaluation of the Agricultural Recovery Plan.[8] The study concluded that despite some isolated areas where farmers were unaware of new liberalization policies, a majority of farmers stated that prices moved freely.

C. Specific Problems in the Field

Price fixing. Farmers, traders, and GOZ officials in the areas visited by the evaluation group confirmed that prices were generally uncontrolled and rose with demand, especially toward the end of the marketing season. Farmers also refused to sell at what they considered to be insufficient prices.

In interviews, GOZ officials revealed an improved understanding of the functioning of the market and indicated an awareness of the negative impact of previous direct official interference. Officials in Kikwit (Bandundu Province) and Kabongo (Shaba Province) were not loath to explain the advantages of liberalizing prices, pointing out that the new policy encourages farmers to increase production, as opposed to the past when farmers become discouraged because they had to "sell for practically nothing."

In Kabongo (Shaba Province), 1986 was only the second season in which farmers and traders freely negotiated prices. In many areas, missionaries encouraged farmers to hold out for a better price, an action which under the previous price control system would have been considered illegal.

On the other hand, traders and government officials in some areas asserted that "the official prices" were strictly applied. The Commissaire de Zone in Idiofa (Bandundu Province) and his price inspector made reference to an official decree with reference prices, but they were unable to produce a copy.[9] But they also admitted that this price list was not actually followed, that no one respected the reference prices, that prices increased sharply toward the end of the season, and that they did not fine anyone for not adhering to these prices.

Two vestiges of price controls appear to be disappearing, exclusive buying zones and mandatory cultivation.

Exclusive buying zones. Permits to buy agricultural products in a given area at "official" prices - were closely held in the past. Exclusive buying zones were often established by local authorities or by the traders themselves. But with the economic liberalization producer prices and production increased, and exclusive buying zones were no longer systematically allocated. Thus, competition among traders increased (see section D) and their profit margins decreased significantly. In remote areas it is perhaps unavoidable that some traders continue their local monopolies in buying agricultural products. Small traders are often active only in and around their villages because socio-cultural barriers do not permit trade with other tribes or clans.

Mandatory cultivation. The general practice of mandatory or imposed cultivation, imposed by law and enforced by the agricultural extension service, is being abandoned. The practice of mandatory cultivation in fact demonstrated that the prices fixed by GOS in the past were too low and did discourage farmers from producing for the market. With prices moving freely, farmers now have incentives to produce, making mandatory cultivation measures unnecessary. However, isolated cases still exist, where the cultivation of "fields for the party" is imposed.

D. [illegible] Effect of [illegible] on the Marketing System

With the [illegible] of corn, one of the major food crops in the country, the [illegible] system is being restructured. The introduction of corn [illegible] in Central [illegible] has given the local population a [illegible] for the first time since independence.

With price [illegible] and the subsequent increase in production, marketing is also [illegible]. [illegible] complain about more and more competition. [illegible] from larger companies from big [illegible] as well as from small traders. [illegible] combine their [illegible] than in [illegible]

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their exclusive interest and source of income. There will be a certain price exacted by the new policies as competition among traders forces out the more inefficient or inflexible participants.

E. <u>Other Factors Affecting the Marketing System</u>

Liberalization policy is of course not the sole determinant of farmgate prices. Improved rural roads give more traders access to the sources of production. There is a perceptible lessening of official interference in the market mechanism despite occasional road blocks set up to impede the travel of traders [illegible] regions. Even though lack of credit hampers traders' operations ("[illegible] traders" [illegible] political relations and protection [illegible] working capital) many are now using savings or are [illegible] unprofitable assets such as stores to enable them [illegible] becoming a seller's market, as could be observed in [illegible]. [illegible] local taxes began appearing during the last [illegible] decisions concerning decentralization. If [illegible] for the regional [illegible] is essential, local [illegible] attention to the generating capacity. Setting up [illegible] blocks for [illegible] particularly harmful, because of the risk of [illegible] collecting agents. The new Ministry of [illegible] particularly [illegible] with new taxes on hunting, fishing, [illegible] rather prohibitive.

<u>Con[illegible]</u> [illegible] revealed that there has been a noticeable increase in the [illegible] of agricultural products and improvement in the standard of living [illegible] rural population compared to five years ago. [illegible] new cash crops and food crops are [illegible] coffee, [illegible] their crops before selling, [illegible] paddy, selling palm [illegible] While [illegible]

[illegible]

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This impact is felt more clearly in areas with easy access, more circulation of traders, and where development organizations - both public and private - are active. The latter play an important role in protecting farmers against administrative abuses and exploitation by traders.

Improvement of the rural road network, often as a result of USAID projects, contributes substantially to improving marketing. Traders now appear in areas which they by-passed a few years ago. But price liberalization is also essential to this phenomenon, allowing for price differentials according to the distance between production areas and centers of consumption.

Compared to the disastrous situation existing before 1979/1981, progress made in [illegible] liberalization is impressive, and problems remain to be solved. The [illegible] and the [illegible] willingness of authorities to implement more restrictive measures [illegible], have made the IMF and donors [illegible] need constant encouragement and tangible support to maintain its current [illegible] at liberalizing its economic policies.

FOOTNOTES

1. In November 1973 all foreign owned-enterprises in agriculture, trade and many industries in the manufacturing sector were handed over to selected Zairians. Compensation to previous owners was promised over a period of ten years, if these activities continued to be profitable under the new owner. One year later the same companies were nationalized and managed by government-appointed delegates because previous management of the companies had failed. The results were possibly even more disastrous as managers were so often replaced that accountability for mismanagement could no longer be established.

2. President Mobutu's speech ("discours-programme") of 25 November 1977 announcing political decentralization and economic liberalization.

3. Fixing minimum prices was superfluous since the demand for agricultural products continually outstripped supply.

4. In the manufacturing sector these [illegible] measures replaced *ex ante* controls with *ex post* controls. Industrial manufacturers, importers and traders now submit copies of their cost calculations to the Ministry of the Economy and may then apply the calculated price instead of waiting, often times months, for formal agreement by price control officers.

5. Decree of the Ministry of Agriculture of May 29, 1982 No. [illegible]/82.

6. The Standby Agreement concluded with the IMF in 1983 limited the monetary financing of the budget deficit and established maximum levels of credit for the private sector.

7. [illegible] la Libéralisation des Prix Agricoles [illegible] d'Assistance [illegible]

8. [illegible]

9. [illegible]

10. [illegible]

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TABLE 2

SOURCE:

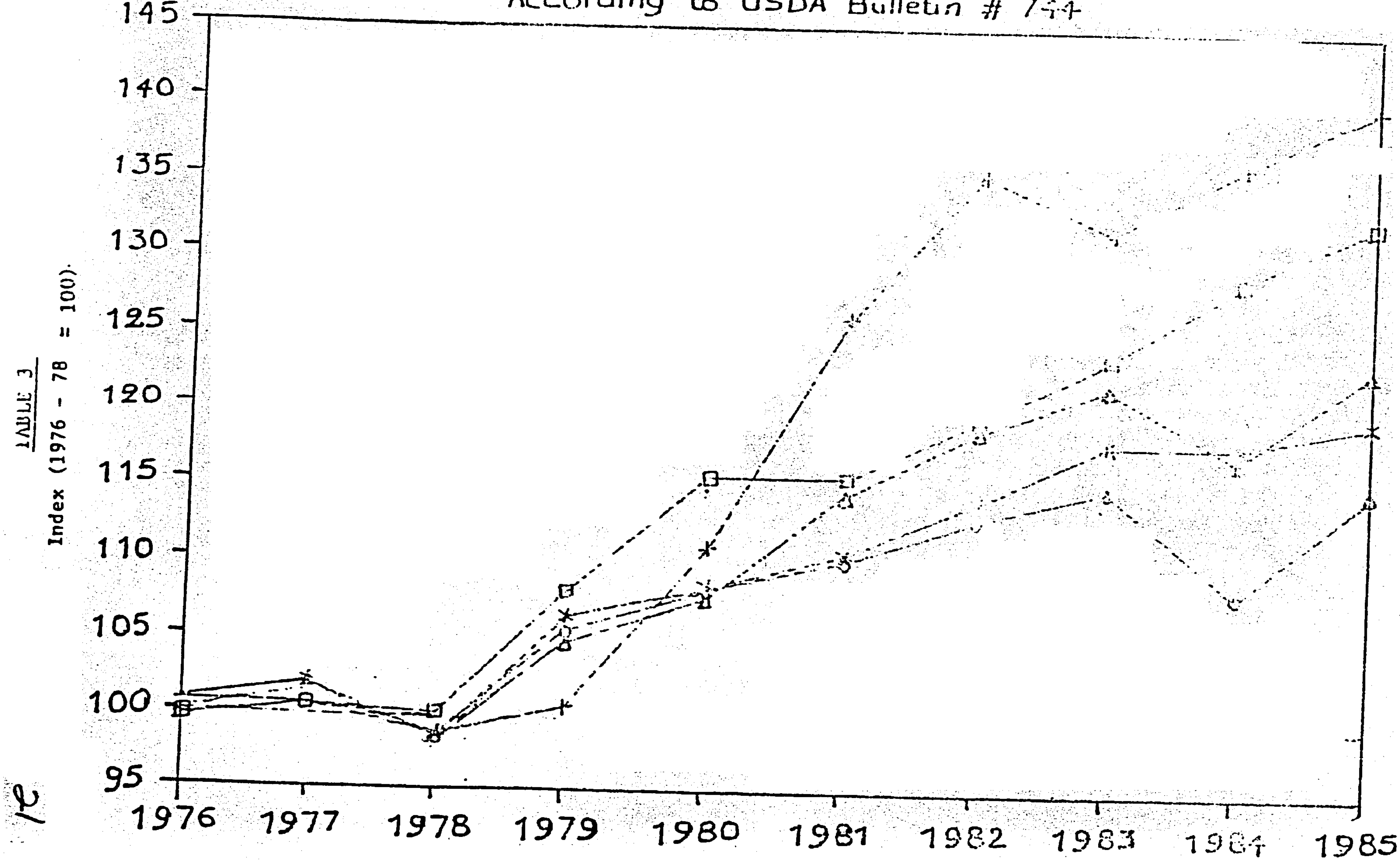
TABLE 1[illegible] --ZAIRE,
[illegible]
FOR [illegible]

PRODUCTION BY COMMODITY, VALUE AND INDICES OF AGRICULTURE AND FOOD PRODUCTION

COMMODITY	PRICE WEIGHT	AVERAGE 1976-78	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
	DOLLARS	- - - - - - - - - - - - - - - 1,000 METRIC TONS - - - - - - - - - - - - - - - -										
WHEAT	163	3	2	3	4	5	6	4	5	8	10	10
RICE, PADDY	516	213	212	214	213	230	246	246	2[illegible]4	[illegible]	274	282
CORN	210	507	510	510	500	509	542	639	637	[illegible]	550	710
MILLET	87	53	54	53	53	40	30	50	50	[illegible]	50	50
PULSES	268	148	148	150	146	136	150	165	167	[illegible]	150	170
POTATOES	370	32	33	33	31	31	33	35	[illegible]	[illegible]	35	37
CASSAVA	287	11.063	11.025	11.275	10.890	11.575	11.900	12.650	13.1[illegible]	[illegible]	12.025	13.600
SWEETPOTATOES	204	304	306	307	298	300	333	307	325	3[illegible]	310	320
COTTON	736	9	9	12	6	6	10	9	11	[illegible]	11	10
CONGO JUTE	486	4	4	4	3	2	2	1	1	[illegible]	1	1
COTTONSEED	125	20	18	27	16	13	19	13	22	[illegible]	22	20
PEANUTS IN SHELL	536	314	316	320	307	334	349	327	[illegible]	[illegible]	370	375
SESAME SEED	112	3	4	3	2	2	2	2	1	[illegible]	1	1
BANANAS AND PLANTAINS	326	1.733	1.735	1.752	1.713	1.730	1.744	1.770	1.760	1.785	1.770	1.800
COFFEE	469	83	86	77	87	79	88	80	84	69	93	90
COCOA BEANS	639	5	5	5	4	4	4	6	4	6	4	5
TEA	855	5	6	7	3	3	3	5	5	5	4	4
RUBBER	643	27	31	30	21	21	20	21	23	[illegible]	24	24
SUGAR, RAW	258	50	46	54	49	43	43	52	64	[illegible]	59	60
PALM OIL	735	154	155	150	158	158	151	157	175	[illegible]	[illegible]	155
PALM KERNELS	223	64	63	54	76	76	73	76	[illegible]	75	75	70
BEEF AND VEAL	2.432	21	21	21	21	22	22	22	23	[illegible]	23	24
GOAT MEAT	1.903	7	7	7	7	7	7	7	7	7	7	7
PORK	2.685	27	27	27	27	27	29	30	31	31	30	30
POULTRY MEAT	2.148	13	13	14	13	14	15	19	[illegible]	[illegible]	30	30
AGGREGATES OF PRODUCTION												
		MILLION DOLLARS AT CONSTANT PRICES										
CROPS		4 459.6	4.454.3	4.531.2	4.393.1	4.617 7	4.741.3	4.992.6	5.175.4	5.2[illegible]7 8	5.117.9	5.335.7
LIVESTOCK		165.5	164.8	167.0	164.8	169.4	176.9	188.2	21[illegible].5	[illegible]	214.2	216.7
LIVESTOCK FEED DEDUCTION= .06		-9.9	-9.8	-10.0	-9.8	-10.1	-10.6	-11.2	-12.7	-13.0	-12.8	-13.0
TOTAL AGRICULTURE		4.615.2	4.609.3	4.688.2	4.548.1	4.777.0	4.307.6	5.159 6	5.375.2	5.4[illegible].6	5.318.3	5.539.4
TOTAL FOOD		4.545.8	4.535.7	4.616.3	4.485.4	4.718.5	4.[illegible]2 6	5.107 4	5.308.[illegible]	[illegible]	[illegible] 5	5.470.7
INDICES OF PRODUCTION												
		(1976-78 = 100)										
CROPS		100	100	102	99	104	106	112	1[illegible]6	[illegible]	115	120
TOTAL AGRICULTURE		100	100	102	98	104	106	112	115	[illegible]	[illegible]	120
TOTAL FOOD		100	100	102	99	104	107	112	117	[illegible]	115	120
PER CAPITA AGRICULTURE		100	102	102	96	97	98	100	101	100	95	96
PER CAPITA FOOD		100	102	102	96	98	98	101	101	100	95	97
INDEX OF POPULATION												
1976-78 POPULATION= 24.477.000		100.0	97.6	99.9	102.5	106.3	109.0	111 7	115.4	118.3	121.2	124 6

Food Crop Production in Zaire

According to USDA Bulletin # 744



ice + Corn o Pulses (Legumes) Δ Cassava x onuts

TABLE 4

Selected Farm-gate prices

(Z/Kg. current prices)

Products	1981	1982	1983	1984	1985
Cassava cossettes	.6/.7	1.0/1.[illegible]	2.7	4.0	4.0
Corn	.[illegible]/.7	1.2/1.[illegible]	3.5	4.5/5.0	4.0/6.0
Rice unhusked	.7/.8	2.0/2.5	4.0	4.0/5.0	4.0/5.0
Peanuts in shells	1.5/2.0	1.7/2.5	6.0	[illegible].0/1[illegible].0	6.0/10.0
Dry beans	3.0/5.0	8.0/10.0	10.0/12.0		15.0

Source: Department of Agriculture and Rural Development, Direction of Markets, Prices, and Credit Campaign (D[illegible])

TABLE 5

1986-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	12.69	13.59
Yellow Corn	13.97	14.78	11.43	10.83	8.93	9.79	10.25	10.42	9.9[illegible]	[illegible]	30.68	9.61
Peanuts (Shelled)	35.67	26.00	22.98	30.39	26.63	26.06	2[illegible].61	30.81	29.99	31.58	27.63	26.23
Peanuts (Unshelled)	12.93	15.88	13.00	22.63	14.18	15.22	17.86	22.21	19.[illegible]8	15.72	19.20	15.55
Beans (White)	35.62	32.72	30.48	29.22	35.70	43.45	42.45	40.77	39.95	[illegible]	45.76	52.28
Beans (Colored)	24.93	24.58	24.56	23.21	28.20	31.29	31.45	20.39	30.30	[illegible]	42.58	46.13
Plantain	11.32	10.16	10.49	11.45	11.15	13.17	18.18	19.19	16.45	28.0[illegible]	14.14	17.07
Bananas	12.76	11.64	19.94	10.01	11.83	13.84	18.22	16.49	13.04	14.16	12.59	13.25
Cassava Flour	16.26	17.83	13.96	14.55	15.23	15.73	15.09	14.87	14.36	[illegible]	15.02	14.72
Corn Flour	27.75	31.80	23.31	21.84	24.82	25.55	24.99	22.21	23.06	21.15	22.66	25.95
Rice (Local)	22.49	20.26	19.52	18.50	17.94	18.07	19.48	18.33	20.87	[illegible]	19.93	20.02
Rice (imported)	38.30	25.78	26.90	20.10	19.76	20.21	24.12	25.34	28.51	24.43	23.68	23.70
Palm Oil	27.00	27.00	27.00	31.00	31.00	38.80	38.80	38.80	38.00	26.00	28.00	28.00
Cassava (Tuber)	9.02	8.29	8.37	8.47	8.56	10.76	13.30	10.99	10.21	8.72	8.19	7.47
Cassava (Prepared)	13.60	15.27	13.47	16.95	13.83	13.35	14.41	13.98	13.03	12.85	12.74	12.65
Cassava Leaves	6.13	7.01	6.96	6.93	6.06	9.14	10.24	12.38	10.31	6.76	6.69	7.22
Sweet Potatoes	11.07	10.69	10.42	11.49	12.03	11.10	12.29	10.69	10.44	9.02	9.32	8.41
Tomatoes	18.71	21.01	22.53	31.07	33.69	47.65	42.57	41.66	46.17	[illegible]	38.65	38.38
Hot Peppers	24.57	26.31	27.50	36.50	22.83	25.40	19.37	23.81	21.22	[illegible]	25.26	25.23
Spinach	8.24	7.98	8.10	7.13	8.84	8.71	9.72	11.45	8.96	6.12	8.49	8.80
Sorrel	8.48	8.84	7.55	10.39	8.71	10.[illegible]7	14.44	21.57	22.32	14.43	13.73	15.93
Squash Seeds	40.33	37.40	47.81	47.79	60.33	60.80	70.49	74.53	65.81	71.92	58.88	61.10
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	110.47

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

TABLE 6
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	15.80
Yellow Corn	9.58	9.43	9.58	8.92	8.97	9.43	9.67	10.23	10.71	15.90	20.38	18.40
Peanuts (Shelled)	26.16	24.19	25.62	26.62	29.06	35.87	37.03	50.02	56.63	78.54	83.96	75.44
Peanuts (Unshelled)	19.22	21.12	23.66	26.91	23.91	23.01	27.41	28.66	33.33	39.74	41.36	41.44
Beans (White)	52.52	46.53	44.00	45.78	52.29	60.76	60.43	54.25	54.11	54.68	56.35	57.21
Beans (Colored)	40.39	32.88	33.40	35.70	43.85	43.12	38.45	34.61	34.42	37.77	38.63	41.54
Plantain	17.35	18.17	16.18	16.12	17.19	16.02	16.45	15.59	17.77	20.49	23.67	21.92
Bananas	14.52	16.08	13.68	15.20	18.15	17.82	16.59	17.20	18.51	19.48	19.60	21.02
Cassava Flour	14.36	14.17	14.90	13.87	15.43	13.96	11.97	11.21	12.30	13.84	15.64	17.02
Corn Flour	24.15	23.35	25.75	20.05	21.31	19.81	15.56	12.34	18.18	26.20	35.13	33.79
Rice (Local)	19.32	18.49	19.35	18.77	19.24	20.54	21.80	24.70	22.58	22.23	22.04	23.42
Rice (Imported)	22.67	22.54	22.81	23.08	24.00	24.23	29.60	30.08	26.15	25.38	26.49	28.82
Palm Oil	31.25	31.25	31.25	28.00	28.00	28.00	34.72	34.72	34.72	41.72	40.45	35.07
Cassava (Tuber)	9.46	9.60	10.64	8.58	9.53	10.55	12.20	11.99	12.80	12.83	13.18	13.64
Cassava (Prepared)	12.59	11.85	11.84	11.18	12.71	12.83	11.18	12.44	12.60	14.19	14.84	15.19
Cassava Leaves	7.63	7.56	8.42	8.17	8.46	11.97	14.66	15.35	16.72	10.37	10.92	11.11
Sweet Potatoes	10.16	9.98	11.82	10.70	9.46	11.66	11.44	11.88	12.09	13.54	15.16	14.38
Tomatoes	45.59	62.46	69.30	67.91	57.40	57.08	53.99	46.00	38.05	34.11	33.60	39.51
Hot Peppers	67.78	120.83	106.37	97.36	72.14	59.46	77.18	84.91	97.77	111.10	123.33	78.83
Spinach	9.83	9.71	8.54	10.63	14.01	19.75	15.09	14.56	11.83	11.68	11.66	14.80
Sorrel	15.58	16.03	15.81	14.93	20.99	28.33	42.10	42.42	33.51	32.57	33.76	32.45
Squash Seeds	68.87	71.84	71.71	73.71	64.06	78.13	87.27	92.17	93.61	100.24	110.87	122.47
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	157.06

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

TABLE 7

1986-AVERAGE MONTHLY RETAIL PRICES IN KINSHASA MARKETS

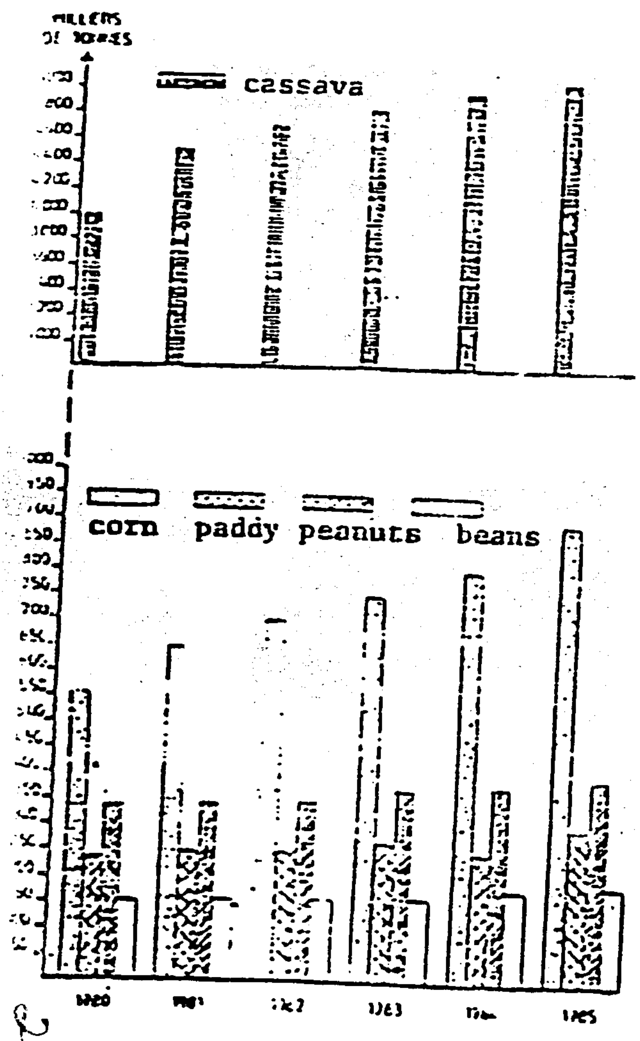
Commodities	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV	DEC
Cassava (Dried)	17.18	16.80	16.78	16.48	16.38	16.07	15.64	15.88	16.81			
Yellow Corn	21.13	15.39	13.52	11.87	11.80	12.16	15.27	14.83	15.42			
Peanuts (Shelled)	65.38	56.35	56.67	54.99	49.11	54.51	60.32	61.90	64.66			
Peanuts (Unshelled)	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	21.30	23.97	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	28.14	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)	16.28	16.10	15.27	15.45	15.62	14.73	15.48	14.86	15.03			
Cassava Leaves	11.10	12.60	13.37	12.57	12.48	12.59	14.69	19.12	17.21			
Sweet Potatoes	16.04	15.54	16.55	14.91	13.82	11.86	11.48	11.16	11.85			
Tomatoes	32.68	39.23	57.11	67.83	77.65	81.68	64.79	47.59	42.90			
Hot Peppers	69.70	63.27	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	31.31	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)	150.09	157.98	156.90	153.54	148.82	151.40	153.61	154.80	159.11			

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

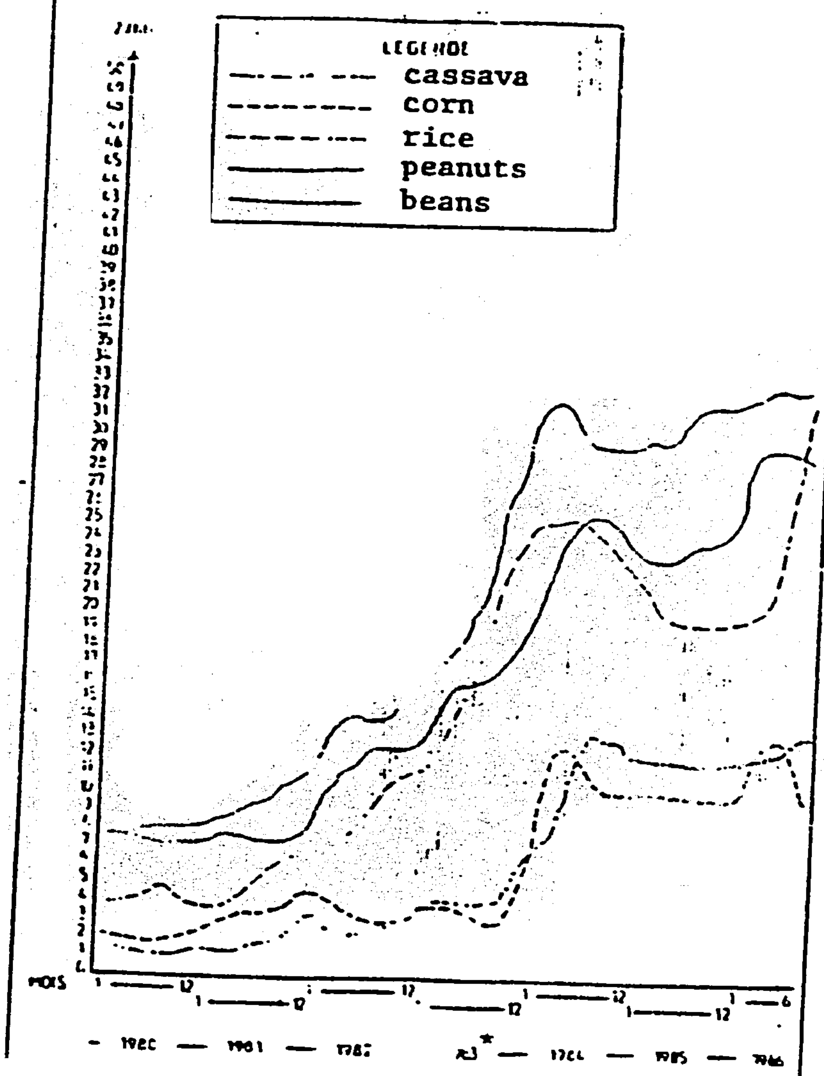
29

AN INCREASE IN PRODUCTION

AGRICULTURAL PRODUCTION PRINCIPAL COMMODITIES



EVOLUTION OF RETAIL PRICES IN KINSHASA MARKETS 1980 - 1985



RICE AND CORN IMPORTS FROM 1980 - 1985

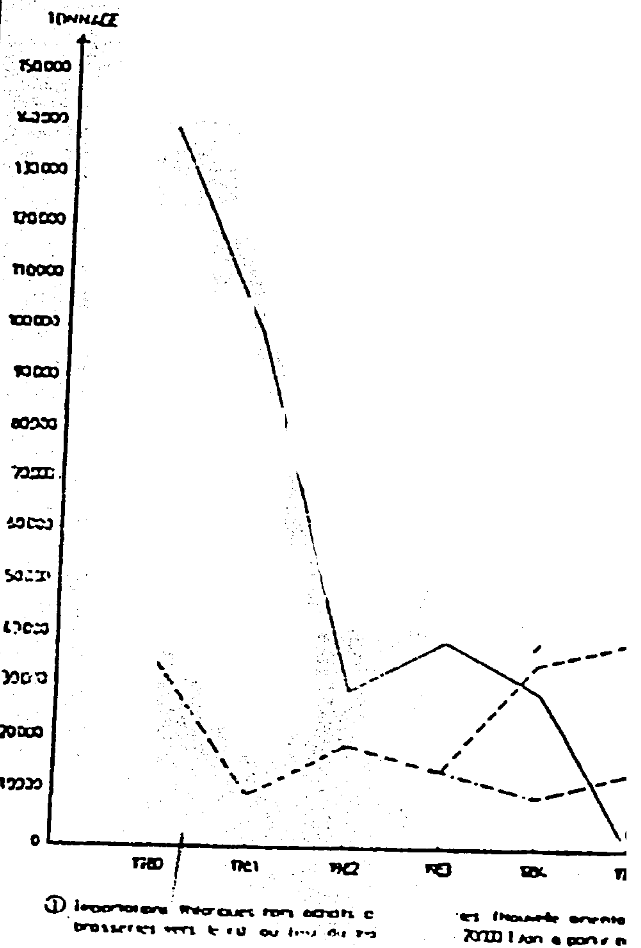
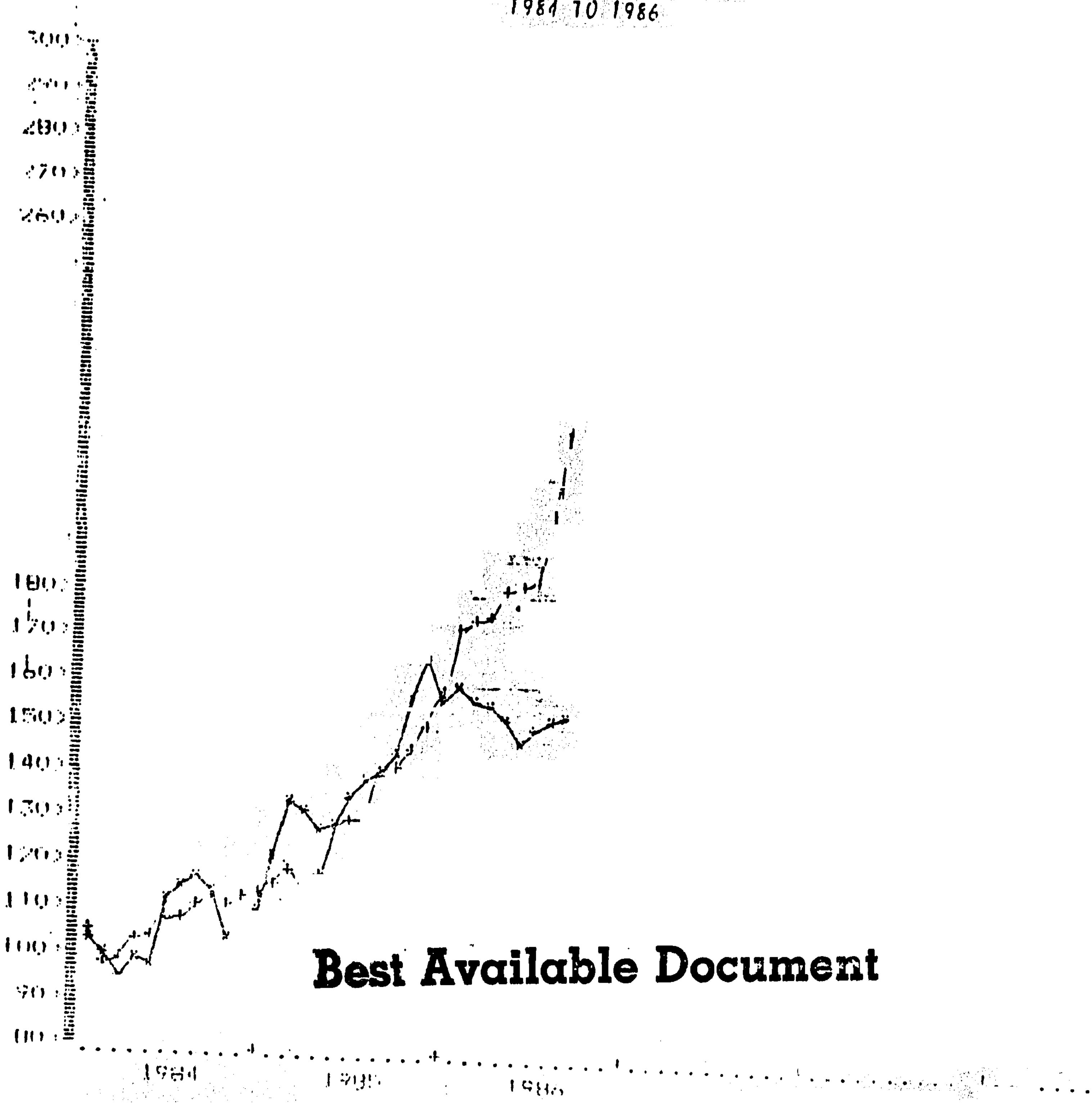


TABLE 9

EVOLUTION OF PRICES DMPCC and INS
1984 TO 1986



Best Available Document

. . . = INDICE DMPCC - agricultural consumer prices
+ + + = INDICE INS - general consumer prices

SOURCE: DEPARTEMENT DE L'AGRICULTURE ET DU DEVELOPPEMENT RURAL
-direction des marches, prix et credits de campagne

II. IMPACT OF COMMODITY PROGRAM

A feature that distinguishes A.I.D. program assistance from more narrowly focused project assistance is the many goals and objectives, sometimes conflicting and occasionally unarticulated, with which program assistance is burdened. The grants under review are not exceptions.

A. Terms, Conditions, and Rationale

The Grant Agreement for 0100 was signed by the Government of Zaire and USA.I.D. July 30, 1984 for $3 million and amended September 26 to a total of $10 million. The PAAD set out the following specific objectives:

1) To finance foreign exchange costs of imports necessary for the marketing and distribution of foodstuffs. (These objectives conformed to GOZ development priorities.)

2) Stimulate local business in American commodities.

3) Support joint USAID-GOZ initiatives and policy dialog efforts by using local currency generations on priority USAID and GOZ projects and activities.

4) Help meet balance of payments gap.

There were no conditions precedent to disbursement or general covenants linked to economic reform measures because the GOZ had taken some difficult steps towards economic liberalization prior to signing the grants, and the linkage between A.I.D.'s grant and these IMF requirements had been implied during the grant negotiations with the GOZ.

The 0103 Agreement was signed July 30, 1985 for $10 million. The goals and objectives are almost identical to 0100 and the PAAD notes that conditions precedent linked to policy changes were again deliberately left out because of the reforms already enacted by the GOZ.

Both PAADs emphasize that to meet the goal of rapid disbursement, USAID would seek out a few of the larger importers and strive for transactions over $100,000 each. Small farmers were to be the ultimate beneficiaries of local currency support of agricultural projects and general improvement in the agricultural sector, but were not the intended end-users of the commodities.

Not articulated as an objective in either agreement but the subject of continuous policy dialogs between the two governments, was the desire to present the GOZ a tangible symbol of U.S. encouragement to stay the difficult course of economic reform it had embarked on in the 1980s under the aegis of the IMF. (It is noteworthy that this objective is not only discussed at length in the 0111 PAAD, but made a covenant in the Grant Agreement.)

Each grant has three components - dollar expenditures, importation of commodities, and the generation of local currencies - each of which, separately and together, has an important impact on the economy. The process begins with the expenditure of the dollars, which simultaneously triggers local currency deposits and shipment of commodities.

B. Impact on Small Farmers

If rapid dollar disbursement were the single objective of these grants, A.I.D. could have chosen a faster method to achieve that goal - a wider commodity list or dollar purchases of local currency for project support. But to insure the integrity of A.I.D.'s resources, the dollars are used for importing agriculture-related products through the Zairian private sector. Two aspects are examined in this part, regional availabilities of the commodities and the direct impact on the small farmers of Zaire. The impact on industrial wages is considered in Section C below, and on GOZ balance of payments in Section D. The commodities imported (or approved for importation) to date by item and amount under both grants are as follows.

TABLE 10

USAID/Zaire Commodity Import Programs
Breakdown of Approved Transactions by Importer and Commodity

PROGRAM 660-0100

As of 2/7/87

Importer	Amount ($US)	Commodity
Goodyear	4,487,147	raw materials for tires
Chanimat	70,201	marine engines
Chanimat	130,859	generator sets
Chanimat	30,047	transceivers
Chanimat	158,687	graders
Chanimat	129,226	compactors
Chanimat	223,050	wheel loader
Chanimat	308,518	bulldozers and spares
Scc imat	60,999	generators
Sodimat	31,375	water pumps
Sodimat	45,160	marine engines
Transmac	320,145	spares for trucks
Bia	434,542	graders
Bia	24,072	diesel welder
Bia	21,602	marine engines
Bia	63,126	rotary cutter
Bia	61,748	hammer mills
General Motors	282,539	spares for trucks
TOTAL	6,883,043	

PROGRAM 660-0103

Importer	Amount ($US)	Commodity
Goodyear	[illegible]	parts for tire mach.
Goodyear	2,150,000	raw mat. for tires
Tissakin	42,524	raw mat. for sacks
Daipn	315,331	animal feed
PLL	30,375	spares
Amato	79,518	raw mat. for sacks
Bia	34,228	rotary cutters
Bia	25,272	generator
VAP	528,100	extrusion machine
Chanimat	37,151	spares
Bia	83,689	hammer mills
Bia	14,084	water pumps
Amato	19,927	spares
Aframel	24,524	tubing for refrigeration
Soferma	542,016	logging machinery
Carto-Zaire	941,255	raw mat. for packing
TOTAL	5,379,712	

* These figures represent transactions approved by USAID and the GOZ's Department of Plan. Some of these transactions have not yet been covered by Letters of Credit.

Regional availabilities of imported commodities. The commodity mix intended for support of agricultural transport or agro-industry has resulted in most major imports going first to Kinshasa or Lubumbashi for processing into other products which then find their way to the rural areas. The Goodyear imports provide a salient example. Over $5 million in chemicals and machinery are being incorporated into its Kinshasa tire manufacturing operations. Because over half its tire production is for trucks and four-wheel drive vehicles, primarily used in rural areas, it can be concluded that the imported chemicals and machinery are having a continuous effect on agricultural transport, with farmers being one of the groups standing to gain. (Small farmers, taken as a group, are not yet customers for tires of any kind.) A major dealer representing the Caterpillar Company imported road machinery, generators, and marine engines totalling over $1 million, almost all earmarked for use outside Kinshasa.

The following table shows distribution on a regional basis of imported products or their by-products:

TABLE 11

REGIONAL AVAILABILITIES GRANTS 100 AND 103

IMPORTER	COMMODITIES	$ VALUE (ROUNDED)	INTERMEDIATE DESTINATION	REGIONAL DISTRIBUTION OF ITEMS IMPORTED OR THEIR BY-PRODUCTS
GOODYEAR	CHEMICALS, TIRE MFRG	5,000,000	KINSHASA	COUNTRYWIDE AS TIRES (65% ON TRUCKS + 4WD)
CHANIMAT	ROAD BUILDING EQUIPMT MARINE ENGINES, GEN. SETS	1,400,000	KINSHASA	AID PROJECTS, SHABA, BANDUNDU; RIVER FREIGHT BOATS; TOBACCO PLANTS
SODIMAT	GENERATORS, MARINE ENGINES	140,000	LUBUMBASHI	SHABA PROVINCE
BIA	HAMMER MILLS PUMPS, DIESEL ENGINES	60,000 700,000	KINSHASA	COUNTRY WIDE AS CORN GRINDERS IN VILLAGES; COUNTRY-WIDE FOR WATER IRRIGATION
TRANSMAC	TRUCK SPARE PARTS	373,000	KINSHASA	BANDUNDU, BAS-ZAIRE
GMZ	TRUCK SPARE PARTS	366,000	KINSHASA (IN STOCK)	
PLZ	BULLDOZER AND CULTIVATOR SPARES	83,000		EQUATEUR, BANDUNDU
TISSAKIN	JUTE FIBERS PLASTIC RAW MATERIAL	825,000 45,000	KINSHASA KINSHASA	MIXED WITH LOCAL JUTE INT BAGS FOR COFFEE AREAS. RURAL AREAS AS PLASTIC BA
AMATO	SPARE PARTS FOR OIL MILL + TEXTILE EQUIP.	93,000		TEXTILE MACHINERY - LUBUMBASHI; OIL MILL KINSHASA
DAIPN	CHICKEN FEED	610,000	KINSHASA-ENVIRONS	EGGS AND CHICKENS KINSHASA, BAS-ZAIRE
VAP	EXTRUDING MACHINE	578,000	KINSHASA	COUNTRY-WIDE AS INFANT FOOD
AFRAMEL	COPPER TUBING	25,000	KINSHASA	COUNTRY-WIDE FOR COMMERCI COLD FOOD STORAGE UNITS

<u>Conclusion</u>: The regional availability of CIP commodities imported thus far is best measured by their end-products. The latter are distributed in various regions of the country and the vast majority will contribute to the eventual development of the agricultural sector or to agricultural transport. Other end-products will directly affect the health and standard of living of those living in rural areas.

<u>Availability of imported commodities to small farmers</u>. The PAADs for both grants provide that emphasis is not to be placed on importing commodities directly for small farmers. Indeed, just the opposite was contemplated: the grants were designed for rapid disbursement of foreign exchange to be achieved by limiting the number of importers and concentrating on high value items (machinery, spares, road equipment, chemicals). The list of goods imported to date and the number of importers (12 under both grants) conform generally to that scheme. While some $60,000 worth of inexpensive corn grinding mills have been imported and sold to traders in villages for grinding corn for surrounding farmers, it would be difficult to compile a meaningful list of other U.S. commodities which could be imported for direct use by small farmers in Zaire, still bound to hand hoes and machetes and whose per capita income is $125 per year. (Rural wages are 30 cents per day.) As the preceding table on regional availabilities reveals, over $2 million in commodities are in the countryside where they are helping to build and maintain rural roads, grind corn or provide directly for rural needs. The bulk of the imports are converted into tires, bags, and other products which are of direct benefit to the rural economy and thus to small farmers.

But an even more important benefit from these CIP grants is the local currency which, along with P.L. 480 currencies, support USAID development projects, the majority of which are targeted to the rural populace. CIP generations are a growing proportion of the totals available - 9 1/2% in 1985, 18% in 1986. As disbursements increase, that proportion will also. A further analysis follows in Section D below.

<u>Conclusion</u>: CIP commodities affect small farmers primarily through their end-products; a more meaningful analysis of the developmental effect of the CIP would be to consider the uses of CIP-generated local currencies.

<u>Local Currency Impact on Rural Development</u> The two grants will generate up to $20 million in zaires when fully drawn down. That amount will be jointly programmed by USAID and the GOZ, the majority to support AID development projects in the agricultural, transport and health sectors. In addition, there is another $6-7 million in zaires generated annually by the P.L. 480 Title I program. The USAID Program Office estimates that over 100 million zaires per month are available to USAID from counterpart generations. These generations provide the zaires which the GOZ would otherwise be required to pay for the support of USAID projects out of its extremely tight budget, not a practical alternative now or in the near future.

A grouping of USAID's projects by category reveals the emphasis on the rural sector:

TABLE 12

PROGRAM SUMMARY
(In thousands of dollars)

Fiscal Year	Total	Agriculture Rural Development and	Population Planning	Health	Education and Human Resources Develop-	Selected Development Activies	Other Programs ESF	Other Programs Other
1985								
Loans	405	-	-	-	-	-	405	-
Grants	33,954	12,720	-	11,210	14	-	10,010	-
Total	34,359 a/	12,720	-	11,210	14	-	10,415	-
1986								
Loans	-	-	-	-	-	-	-	-
Grants	29,620	12,300	2,080	5,570	100	-	9,570	-
Total	29,620	12,300	2,080	5,570	100	-	9,570	-
1987								
Loans	-	-	-	-	-	-	-	-
Grants	35,300	11,100	1,100	4,100	800	2,200	16,000	-
Total	35,300	11,100	1,100	4,100	800	2,200	16,000	-

a/ FY 1985 totals include reobligations of $410 in Agriculture, Rural Development and Nutrition, $110 in Health and $415 in ESF ($405 loan; $10 grant).

Source: AID FY 1987 Congressional Presentation, Annex on Africa, p. 470.

Projects in agriculture and rural development for FY 1987 alone account for over 30% of all assistance; when health projects are added, the total rises to 43%. Assuming counterpart is expended on roughly the same basis, over 43% of CIP generations will be used in direct support of development projects in which small farmers are direct beneficiaries.

USAID strategy for the rural areas is described in the following excerpts from AID's FY 1987 Congressional Presentation (pages 474, 475):

"As the centerpiece of the program, A.I.D. is making direct investment toward increased output from small farms. This element of the strategy combines the rehabilitation of transportation, marketing and agribusiness infrastructure with the introduction of appropriate agricultural inputs in parts of the Bandundu and Shaba regions. A.I.D. programs support both research to improve varieties of corn, cassava and legumes and local non-governmental organizations (NGOs) active in agricultural extension activities.

"Improvement in the health status of the population is the fourth element of the program. A.I.D. provides technical assistance, training and commodities to support the nationwide objectives of a self-sustaining, community-supported preventive rural health care delivery system in close collaboration with NGO-sponsored health activities wherever feasible.

"Increased Output from Small Farms - A.I.D. investments to increase small-scale farmer productivity and income levels are concentrated in the Bandundu and Shaba regions. In Bandundu, four area-specific projects (Agricultural Marketing Development I, II, III (660-0026, 660-0028), and 660-0098) and the Area Food and Marketing project (660-0102) are working to rehabilitate existing transportation routes and introduce improved agricultural production and marketing techniques.

"A.I.D. is supporting applied agricultural research in basic food crops to identify and develop improved varieties and test their acceptability through a farming systems approach. The Applied Research and Development project (660-0091) is also expected to lead to improved agronomic practices among small farmers in the region."

Conclusions: The future welfare of small farmers in at least two regions of Zaire is linked to the successful implementation of USAID projects in agriculture and health, the local support for which is dependent on continued - or even increased - generations of local currency by CIP grants and P.L. 480 programs. The welfare of all farmers is even more strongly linked to the success of the government's economic liberalization policy in the agricultural areas. Local currency generations of the magnitude planned for the three CIP grants provide the American Mission in Kinshasa an important talking point in the policy dialogue.

C. Effect on Industrial Employment and Wages

The hourly wage rate in Zaire is largely fixed by regulations and a highly elastic supply of labor. It thus is not a realistic target for a CIP

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program. This was confirmed in interviews with the largest end user of CIP commodities, Goodyear, and by small users for whom the percentage of CIP to their total imports was less than 10%.

An alternative approach would be to interpret "wages" as total wages paid. There is a roughly constant ratio between raw materials and parts available and the requirement for local labor. In other words, employment and earnings are constrained by the non-availability of foreign exchange. The Bank of Zaire estimates the overall ratio of industrial employment to imports of raw materials and spares to be 175,000/$200 million, or one job per $1,150 annual imports in the relevant categories. With industrial production running at roughly 50% of capacity, the overall effect of CIP imports on industrial employment becomes more apparent.

Conclusion: Despite the lack of immediate examples of impact on industrial wages, a slow but steady growth in utilization of dormant industrial capacity due in part to CIP imports could result in higher wages. But at this time, quantification of those possibilities would be speculative.

D. Impact on Balance of Payments

The two grants total $20 million, with combined disbursements over at least three full years. Considered by itself, an average $6.5 million per year will not significantly affect Zaire's overall balance of payments gap, which is estimated to reach $1 billion in 1987. They must also be considered along with the $15 million in AEPRP grant 0121 and approximately $20 million per year in P.L. 480 programs. Additionally, in combination with other donors' new grants and loans, IMF purchases, and debt rescheduling efforts, disbursement of these grants take on a somewhat more significant role, if only to show a united front on the part of the donor community.

But there is another base for comparison, the estimated private industrial imports of raw materials, spare parts, etc. The World Bank estimates that figure at $200 million a year. The Bank also estimates that a $100 million program world disburse in 18 months and raise capacity utilization of "efficient" enterprises by about 20 percentage points, e.g., from 50% to 70%. This context gives relevance to the CIP effect on the balance of payments, especially when considering total U.S. and other donor assistance.

III. PROSPECTIVE IMPACT OF AEPRP GRANT (0121)

A. Principal Features

This is a $15 million ESF grant designed to finance the import of commodities which will contribute to the development of agro-industry in Zaire.

As of February 6, 1987, the Grant Agreement, although signed, had not been implemented because of concerns over the government's actions with respect to exchange rates (see Section D below).

Where grants 0100 and 0103 contain only standard conditions precedent to disbursements common to all such documents, the AEPRP agreement imposes conditions which require specific actions by the government prior to disbursement of the funds as well as covenants to maintain the policy reform efforts. The following is quoted from the AEPRP 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 simplified 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 5.6. <u>Economic Policy Measures</u>.

"(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 or 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.

The evaluation component of the grant includes the conditions recommended by the subcommittee on Africa of the House Foreign Affairs Committee, and are being applied as part of this evaluation. (See the exchange of correspondence in Annex 2.)

B. Commodity Import Plan

The CIP office is discussing a tentative list of commodities to be imported under this grant. That list includes diesel fuel from Kenya ($5 million), jute ($750,000), plastic for making sacks ($1.2 million), agricultural equipment and machinery ($2.5 million), raw materials for tires ($2.5 million), and miscellaneous equipment and spare parts ($1 million).

The CIP office estimates disbursements could be made within eighteen months after implementation begins. Given the history of 0103, this may be optimistic, but the Code 941 waiver should prove instrumental in meeting the target (jute and fuel purchases).

> Recommendation No. 1: That the staff CIP canvass the importer market to develop a potential commodity list for 121, to be published in the United States, as provided in the Columbia Plan.

C. Potential Impact

If the new grant does not disburse at a faster rate than 0103, its impact on balance of payments, on benefits to the target area and generation of counterpart funds will lag significantly. Importantly, such a delay will not promote the policy dialogue and could influence AID's consideration of future such grants for Zaire.

If it matches 0100's disbursement rate (helped by one multi-million dollar transaction and another of $1.5 million), then its impact should be similar. But further predictions depend on knowing with certainty what commodities will be imported.

An in-depth discussion of the anticipated impact of 0121 can be found in the 0121 Program Assistance Approval Document.

D. Initial Implementation Delays

As noted, the first implementation letter, which would initiate the program, has not been sent to the GOZ. In light of a battery of policy announcements made by the GOZ on October 29, 1986, the program was initially held up by uncertainty about whether economic policies listed as conditions precedent and covenants in the grant agreement would be maintained. As of February 1987, USAID reports that, while all conditions precedent to disbursement have been met, the GOZ appears to have deviated from two policies which it had agreed in the grant agreement to maintain: a market-determined official exchange rate, and full-cost pricing of petroleum products.

Between February, 1984 and September, 1986, Zaire's central bank had set official exchange rates on a weekly basis according to freely floating commercial bank exchange rates. Since October, 1986, however, the central bank's fixings have fallen increasingly behind the market depreciation of the currency, resulting in official overvaluation of about 25 percent in February,

1987. The central bank has also put pressure on commercial banks to follow the official exchange rate rather than the market's rates. The commercial banks have acceeded to this pressure, although their customers privately subvert the policy by unofficial sidepayments. To meet the AEPRP grant agreement's covenants, the central bank would have to allow commercial banks to resume paying the market rate and would have to set its own rate at the commercial banks' rate.

Regarding fuel pricing, since mid-1986 the GOZ had adopted the policy of setting full-cost retail prices on a quarterly basis. This policy has not been fully implemented, however, as price revisions have been delayed for about three additional months on the average. As of February, 1987, the fixing is about three months overdue. As a result, the official price structure has fallen considerably behind costs and would probably require an increase between 30 and 50 percent to catch up and thus to fulfill the grant agreement's covenant.

Conclusions: The AEPRP grant is structured more tightly than its predecessors and makes explicit what was implicit in the two earlier grants, a direct linkage to policy reform continuation and a list of specific actions.

Given the source-origin waiver there is potential for a faster disbursement rate. If so, policy impact will be enhanced as will be the effect on development through imports and counterpart generations.

There is not yet enough data on which to predict rate of disbursement, or the number and size of the transactions. Much depends on local economic conditions, the position of the dollar against other currencies, and the cost and availability of foreign exchange to local importers.

Initial delay in implementation is caused by the questions related to the GOZ's conformance with the grant covenants, which points up the risks inherent in imposing multiple objectives on a CIP grant. The longer implementation is delayed, the longer the disbursements will be delayed which in turn will be reflected in a slower timetable for imports and local currency generations, both of prime importance to the program. But while recognition of the dilemma does not yet require a shift in program priorities or objectives, mission management must maintain a close oversight of the new grant to ensure a balanced achievement of program objectives.

When implementation does begin, there are steps which may help speed the process. They are discussed in Section IV.

IV. IMPLEMENTATION AND MANAGEMENT

This section examines implementation procedures and overall management of the CIP. The first part deals with the division of organizational responsibilities within USAID. The second part looks at three basic indicators of implementation progress: the grant disbursement rate the commodities imported, and the local currency generations. The final part examines aspects of the program where improvement is needed.

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 is understaffed for the task ahead.

In contrast to many CIP programs, USAID/Zaire monitors closely every step taken by importers during the procurement cycle. Proforma invoices submitted by importers are closely 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. This 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 has been established and maintained from the inception of the program. 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 and 0103, a CIP office was established in the 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 and a clerk. 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 some support through periodic visits to Kinshasa.

The USAID Controller monitors dollar disbursements based on USAID records and on W-214 reports received from the Financial Management 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 to the projects and organizations. Once counterpart funds are released to the end-users, the various project accounting systems record 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. The USAID Deputy Director reports that in mid-198[illegible] after a regional audit, the Controller's office was commended for its counterpart monitoring system (see January 1[illegible], 198[illegible] Audit of the Accountability for Local Currency in Africa by Richard C. Tharet, RIG A/Nairobi).

TABLE 13

FUNCTIONS

	Program Office	Prog Officer	Prog. Asst (FSN)	Program Econ	[illegible] Office	[illegible]	[illegible] PSC	[illegible] (FSN)	Procurement Consultant	Controller's Officer	Controller	Asst. (FSN)	[illegible] Asst (IPSC)
1. Policy analysis and dialogue planning	1			X	2	Δ							
CIP information program dissemination and marketing					1	X	0	0					
3. Set priorities for approval of imported commodities and importers	2				1	0	0						
4. Approve importer and commodity					1		X	0	0				
5. Assist importer develop proper commodity specifications and identify eligible suppliers					1			0	0				
* 6. Monitor movement of goods through port and conduct end-use surveys					1		0	0		2		Δ	
* 7. Monitor and insure prompt payment of local currency generations by local bank into CIP counterpart account													
8. Program local currency generations	1				2	Δ							
9. Monitor and audit local currency use										1	0		
* 10. Overall program monitoring	2			+	1	0	X						

X - INDIVIDUAL HAS PRIMARY RESPONSIBILITY FOR FUNCTION

0 - INDIVIDUAL SHARES RESPONSIBILITY WITH OTHERS IN SAME OFFICE

+ - INDIVIDUAL SHARES RESPONSIBILITY WITH OTHERS IN DIFFERENT OFFICE

Δ - INDIVIDUAL ASSISTS OR PLAY SUPPORTIVE ROLE

1. OFFICE HAVING PRIMARY RESPONSIBILITY FOR FUNCTION

To determine the extent to which program management functions encompassed policy reform and counterpart fund programming as well as commodity procurement and to test how clearly various functions and responsibilities were understood, several USAID staff members were requested to fill out a simple chart with functions on one axis and positions grouped by offices on the second axis. The results are shown in Table 13. Functions which are followed by an asterisk are those where there were considerable variations in three responses. In terms of functions 6 and 7 that variation is most probably explained by the description of the function provided.

In terms of function 1, there was general consensus that the Program Office has lead responsibilities and is supported by the Project and Design Operations office. Individual responsibilities within those offices were less clear. Most agreed, however, that the Program Economist had primary responsibility.

Functions 2, 4, and 5 are functions that have been performed by the CIP office for nearly three years. In each of these functions, the PDO/CIP office has full responsibility. The responses showed some minor variations in individual responsibilities within the office.

On function 3, most respondents showed this function as one shared between the PDO and Program offices. However, in all cases, PDO was given the lead role. Formalized priorities beyond that given in the PAAD do not exist.

Function 6 and 7 were not clearly stated on the original worksheet. The functions was reformulated and the USAID staff agree with its presentation.

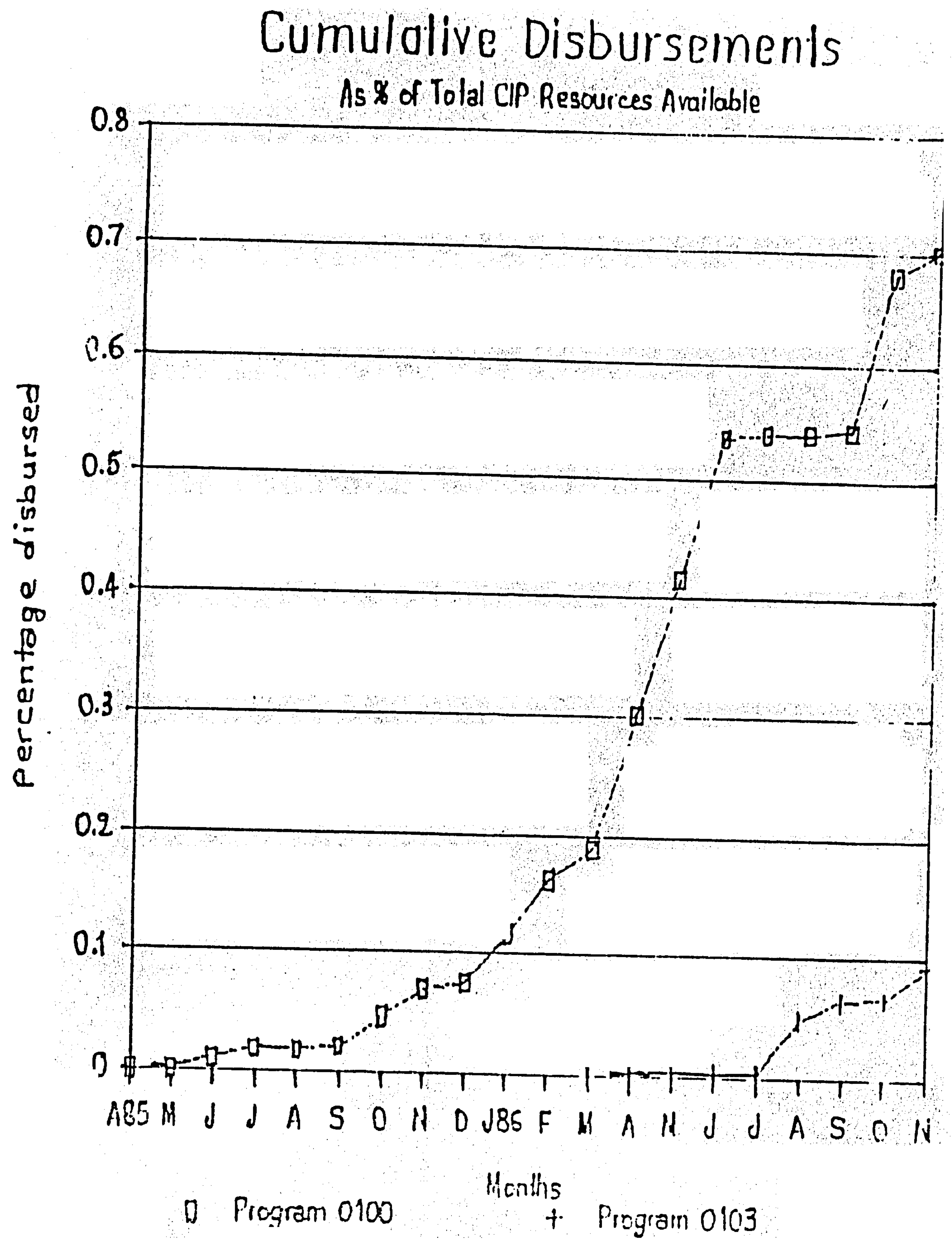
Function 9 is clearly understood to be the function of the Controller's office, although several respondents thought responsibility should be shared with Program and PDO staff.

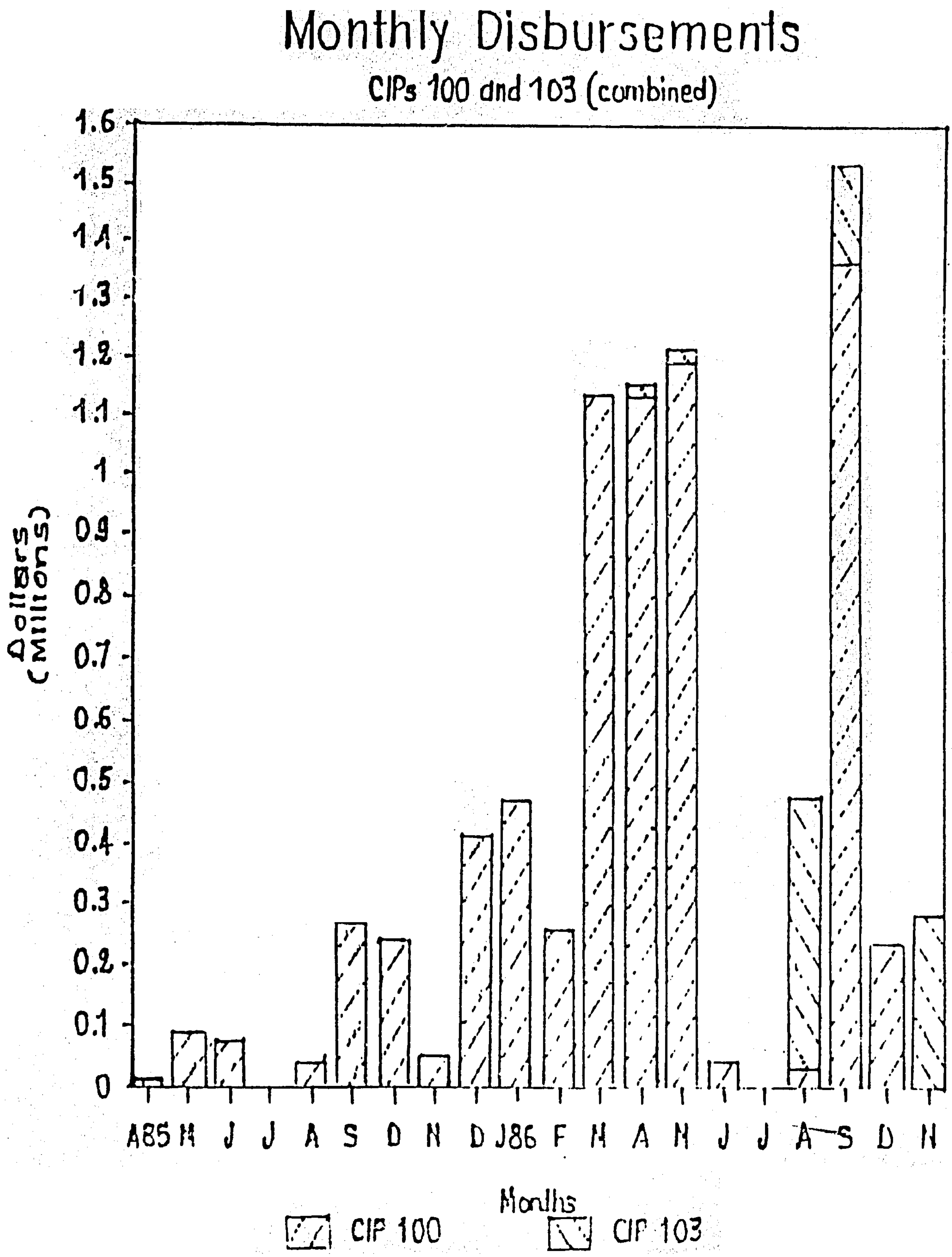
Function 10. This function was included on the list to show changes that might have occurred in the program management responsibilities with a major program objective now being policy dialogue under grant 0121. If it was correctly interpreted by respondents, it shows that primary responsibility of the CIP is still vested in the PDO office, although the Program office in the person of the Program Economist has a secondary or supportive role.

B. Current Implementation Status

__Disbursements.__ A 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 AID/W.

The first CIP grant (grant 0100), was signed in August 1984 for $6 million and later increased to $10 million. The first disbursement was recorded by A.I.D. in February 1985. As of November 30, 1986, the date of the most recent W-214 Report, disbursements totalled $7.0 million (Table 14). Over a 21-month period, monthly disbursements averaged $334,000. From a low of $1,700 in February 1985, monthly disbursements were over $1 million during the months of March, April, and May 1986, and reached $1.4 million in October 1986 (Table 15). Program grant [illegible] was signed in July 1985 for $10 million. The first disbursement took place about a year later in June 1986. As of November 30, 1986, total disbursements were $934,522.00. For both grants, the terminal disbursement date has been extended to February 1, 1988.


Cumulative Disbursements
As % of Total CIP Resources Available
Percentage disbursed
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
A85 M J J A S O N D J86 F M A M J J A S O N
Months
Program 0100
Program 0103


Monthly Disbursements
CIPs 100 and 103 (combined)
Dollars (Millions)
1.6
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
A85 M J J A S O N D J86 F M A M J J A S O N
Months
CIP 100
CIP 103

Under the first grant, $8.5 million is allocated to private importers for various import transactions completed or in progress. Thus, only $1.5 million remains to be programmed, and it is likely that the Terminal Disbursement Date of February 1988 will be sufficient to complete full disbursement. Under the second grant on the other hand, while disbursements to date total only about $1 million, $7.4 million has been allocated. In summary, out of a total of $20 million authorized, almost $16 million is allocated and $8.0 million disbursed (as of November 1986), with a balance of $4 million remaining to be allocated. The third Grant Agreement, AEPRP, was signed on September 30, 1986 for $15 million. To date no disbursements have been made.

There are a number of reasons why the rate of disbursement for the two CIP's has been somewhat slower than expected. First, the first 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 after the inception of the progam. 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 has been the traditional ties between Zairean importers and European suppliers, ties that are reinforced by language and fast shipping schedules.

A third factor has been the overvalued 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, have slowed demand for CIP goods. However, the situation is changing. American exports are beginning to regain their competitive edge, and foreign exchange is becoming increasingly tight. USAID, banks and importers themselves are becoming more familiar with the program procedures. An upturn in demand for CIP resources has recently been noted ($1.9 million was allocated to importers in January and early February 1987), but the situation remains fluid.

Commodities Imported. Table 10 shows the commodities which have been imported into Zaire under grants 0100 and 0103. Locomotives and steel were also included as eligible items in the PAAD but were not purchased under the CIP. In both PAADs priority is to be given to imports which would improve agricultural and agriculturally related transportation infrastructure. Over 80% of the commodities imported fall within that priority.

The PAAD requires that priority will be given to transactions of more than $100,000 and limits the smallest acceptable transaction to $20,000. The average transaction size is $175,000 and $150,000 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. All commodities have been 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).

Current payment terms offered to CIP importers are:

(a) 20 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) 30 percent payment against release of shipping documents by the local bank at the rate of exchange in effect on the date of this second payment.

(c) 50 percent payment within 180 days of the above second payment at the same rate of exchange as (b).

These terms are given to encourage private importers to participate in the CIP and apply across the board to end-users and traders alike. For the latter, the applicability of two separate rates of exchange acts as a disincentive. Because of the uncertainty of the second rate of exchange, the importer is unable to calculate actual costs and hence to fix his re-sale price prior to the arrival of the goods, which may be six months to a year from the time the L/C was opened. If the re-sale price could be set at the beginning of the transaction, the interval between ordering the goods and their arrival in Zaire would be used by the importer to canvass the market, identify potential customers and secure firm orders for prompt delivery following the arrival of the goods.

One solution would be to abolish the 2-tier rate of exchange and have the rate applicable to the first 20% payment remain constant throughout the transaction. With a much faster stock turnover, the importer would not need 180 days to make the final 50 percent payment. Ninety days should be sufficient incentive. Shorter payment terms would translate into faster counterpart generation and help offset a possible decrease in the amount of local currency generated.

<u>Recommendation No. 2.</u> That USAID adjust local currency payment terms for importers, particularly dealers, to induce wider use of the program.

3. Counterpart Fund Generation and Utilization

Table 16 shows the sources and uses of counterpart funds during CY 1985 and 1986. As a source, the two active CIPs contributed 9.5% and 18% of total local currency generations in 1985 and 1986, respectively, although their planned contribution was higher.

Table 16

SOURCES AND USES OF COUNTERPART FUND

LOCAL CURRENCY GENERATIONS (rou

Sources ($000)	1985	1986
CIP(0100 and 0103)	1,800	3,575
PL 480	14,550	13,150
Other	350	110
Previous Year Balance	2,110	3,240
TOTAL	18,810	20,075

LOCAL CURRENCY USES	1985	1986
Agricultural Sector investments	4,130	6,370
Health Sector Investments	1,800	3,165
PVOs, NGOs, and relief activities	3,200	4,115
Mission support	1,350	1,360
GOZ Institutions Support	1,160	2,195
Survey/Research	100	95
Education and Training	710	565
Enterpreneurial Credit	980	[illegible]50
Other (mostly carryover)	5,360	1,740
TOTAL		

Agriculture absorbs the largest proportion of the funds - 22% and 31% in 1985 and 1986 respectively. Health sector investments and support to PVOs, NGO and relief activities have been the other major recipient of counterpart funds. Health sector investments were about 12% over this time period. Support to PVOs, NGOs, and relief absorbed about 18% over the same period. Support to the USAID mission and to Zairian institutions each absorbed roughly 7-8% of the investment.

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. With the condition of the central government's budget, many initial rural activities (in agricultural research, rural road maintenance) are simply not being funded. 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. USAID's Current Conduct of Major CIP Functions

1. Commodity financing and importing functions

Program controls. Given the general environment within which this program operates, the high degree of control which USAID exercises is justifiable. Recognizing the potential for delays which approvals could cause, USAID has made staff available to process approvals expeditiously. Approvals rarely require more than one day and are viewed by participating local banks as a relatively minor inconvenience. However, it has required that the CIP staff be present in Kinshasa. Undoubtedly this has had a negative impact on the CIP staff's ability to market the program more effectively, carry out end-use checks and conduct other management functions which require considerable travel and time away from the office. Maintaining this degree of control will require additional staff to perform program functions requiring travel and absences from the USAID offices.

Marketing the CIP. USAID CIP officers have used several means of informing the Zairian private sector of the CIP facility, its structure and its procedures. Initial efforts were largely limited to discussions with a number of potential importers on an individual basis. More recently, USAID prepared a program description in French for mailing to some of potential importers and for distribution through the U.S. Consulate in Lubumbashi and the Embassy Commercial Office and Commercial Library. Follow-up is necessary to ensure that those offices have a sufficient supply of the handout. They have been handed out at Embassy functions for the business community.

There are business organizations in Zaire which could help make the business community more aware of the program, notably, the [illegible] Association (ABA) of Zaire and ANEZA (Zaire's Chamber of Commerce). Both of these organizations issue bulletins and hold luncheons [illegible]. Other organizations with a high ratio of businessmen as members include the Rotary and [illegible] Clubs. All these organizations [illegible] for increasing communications with the business community. [illegible] has [illegible] process of [illegible]. The CIP officer [illegible] of ANEZA.

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Procedural assistance to importers. Assisting importers prepare proper commodity specifications, identify eligible suppliers and make appropriate shipping arrangements becomes increasingly important if the staff handles more transactions by importers who are less familiar with international trade and banking procedures. The CIP staff numbers and qualifications are geared toward processing large transactions with firms having active affiliations with U.S. manufacturers or suppliers (Goodyear, Transmack, General Motors of Zaire, Chanimetal). The CIP office is not staffed to provide the level of services required if the program moves more toward importing agro-industrial equipment for small or medium scale enterprises. The CIP implementation staff is all based in Kinshasa, and the existing office obligations and workload has precluded much travel within the regions to consult with possible importers (or even to conduct end-use checks). Without this consultation, it is difficult for importers to effectively use the CIP facility unless they in turn have strong ties to eligible suppliers. Other possible sources of this assistance include the Commercial Library of the U.S. Embassy, the Embassy Commercial Officer, and the local banks. However, there are definite limitations on each.

Recommendation No. 3. That USAID develop improved communications with potential CIP clients to enable the mission to better market this resource.

2. Overall CIP monitoring

In addition to being more complex, the implementation responsibilities of the program are less centralized and there is greater need for current information in all the offices having responsibility for aspects of the program and its oversight (PDO, Program, Controller). The computerization of transaction records which the CIP office has begun needs urgently to be completed. Computerizing the record keeping operation will greatly facilitate various types of reporting requirements (i.e. disbursements, commitments, shipping and port clearance delays, local currency payments due). It will also allow closer monitoring of the workload of the CIP office.

Conclusion: Various USAID organizational units need to be informed of implementation progress to properly carry out their responsibilities.

Recommendation No. 4. That USAID complete the computerization of CIP transactions, and draw on this resource to facilitate implementation of standardized monthly reports, with internal distribution to the Director, Program Officer, and Controller. The reports should be modelled on the following example.

TABLE 17

CIP GRANT 660-K-0601
(PROJECT 660-0100)

MONTHLY STATUS REPORT FOR DECEMBER 1986

Date Agreement Signed: 7/30/84
Date CP's met : 9/26/84

Terminal Date for DA's: 7/29/85
TD for Disbursements : 2/01/86

Disbursing Authorization	Authorized	Allocated	Obligated	Disbursed as of 10/31/86)
		(In Dollars)		
DRA 101	1,000,00	994,519	911,082	916,523
D/L/COM 102 (Goodyear)	4,640,000	4,467,147	4,152,113	4,152,113
L/COM 103 (Morgan)	2,060,000	1,340,058	1,318,456	1,155,509
L/COM 104 (City Bank)	2,260,000	1,161,290	1,161,290	794,991
TOTALS	10,000,000	7,983,014	7,542,941	7,021,136
BALANCES	-0-	2,016,986	2,456,059	2,978,864

Number of transactions currently open________.

Average size of transaction__________.

One of the recommendations of the mid-program evaluation conducted in August 1985 was to finalize and implement, in coordination with the Controller, procedures for monitoring and reporting the arrival and ultimate utilization of CIP-financed commodities. That recommendation has not been carried out by the USAID because of staff limitations in the Controller and CIP offices.

Recommendation No. 5: That USAID increase the staff resources devoted to CIP monitoring and oversight, either through the hiring of additional FSN employees, or through contracting with private firms to carry out specific arrival accounting and end-use survey functions.

ANNEX 1

Article I - Title

Agricultural Inputs Support Programs I and II and the Structural Adjustment Support Program, (Project No. 660-0100, 660-0103, 660-0121).

Article II - Objective

To evaluate Agricultural Inputs Support Programs and The Structural Adjustment Support Program (660-0100, 660-0103, and 660-0121).

Article II - Statement of Work

Contractor will review and comment on work that has been done on the CIP evaluation by the locally hired economist and REDSO Commodity Management Officer. This review will include: 1) Examination of the progress Zaire has made towards price liberalization in the agricultural sector; 2) Assessment of any changes in workers' standard of living in the industrial sector and small rural farmers; and, 3) Examination of issues related to implemenation of the three programs.

Article IV - Reports

The contractor will be responsible for submitting a final evaluation report addressing the issues outlined in the above Statement of Work. This report is due prior to date of departure from post in a form and style proscribed by USAID.

Article V - Technical Directions

Technical Directions during the performance of this delivery order will be provided by USAID/Zaire PDO pursuant to Section F.3 of Contract No. PDC-0085-I-01-6098-00.

Article VI - Term of Performance

The effective date of this delivery order is January 14, 1987 and the estimated completion date is February 28, 1987.

SUMMARY SCOPE OF WORK
EVALUATION OF AGRICULTURAL INPUTS SUPPORT PROGRAMS I AND II AND THE STRUCTURAL ADJUSTMENT SUPPORT PROGRAM
(660-0100, 660-0103, 660-0121)

The evaluation of the Agricultural Inputs Support Programs I and II and of the Structural Adjustment Support Program will be conducted in three major parts. The first part will describe and assess the progress that has been made in Zaire in recent years on economic policy reforms, particularly on price liberalization in the agricultural sector. The second part will examine the effects of the three programs on workers in the industrial sector and on rural cultivators. Finally, the evaluation will focus on issues related to implementation. Parts one and two of the evaluation are underway and will be completed by the end of December 1986. Part II will be done in January 1987.

Part one of the evaluation will be conducted by a qualified non-AID expatriate economist who has some 15 years' experience in Zaire, most recently as an advisor to the Zairian Ministry of Economy, and who has closely followed developments relating to economic policy reforms. This economist will prepare a narrative describing the effects of economic liberalization over the past decade, focusing on the last three years, and the consequences for the Zairian economy in light of developments. He will substantiate the narrative with data from the Ministries of Agriculture and Economy and with reports on interviews with farmers and traders now living and working in Bandundu and Shaba (USAID's major areas of concentration).

For the second part of the evaluation, this same economist will examine program effects on workers' standards of living in companies that are participating in the three programs. This assessment will be conducted through interviews with executives of the major firms involved in the programs, and through inquiries into employment, plant capacity, plant utilization, and availability of foreign exchange in Zaire. The economist also will assess the effects of the import programs on the principal AID target group, the small farmers and rural cultivators. This will include first-hand soundings in Bandundu and Shaba.

To complete Part Two, end-use checks will determine regional availabilities of imported commodities, and will permit an assessment of the indirect and/or direct effects of the programs on small farmers. To the extent possible, commodities imported under the programs will be traced from the importing firm to the end-user. This end-use checks to be carried out by USAID's Zairian research staff, will be reviewed by REDSO Commodity Management Officer based in Abidjan, Ivory Coast.

The REDSO Commodity Mangement Officer will also review issues related to project implementation. Specific issues include: the transaction approval process; counterpart fund generation accounting procedures; applicability of imported commodities to targeted sectors; and communications between USAID and

A N N E X   2

C O P Y

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.

C O P Y

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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

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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