EVALUATION

OF THE

KENYA COMMODITY IMPORT PROGRAM (CIP)

USAID/Kenya
Nairobi

February 1987

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LIST OF ACRONYMS

C&F	Cost and freight
CIF	Cost, insurance and freight
CIP	Commodity Import Program
CP	Condition Precedent
FAS	Free along side
FCS	Foreign Commercial Service (U.S. Embassy)
FOB	Free on board
FR	Financing Request
FY	Fiscal Year
GOK	Government of Kenya
IMF	International Monetary Fund
L/C	Letter of Credit
L/COM	Letter of Commitment
OSDBU	Office of Small and Disadvantaged Business Utilization
PAAD	Program Assistance Approval Document
PIB	Procurement Information Bulletin
PWA	Price Waterhouse Associates
REDSO/ESA	Regional Economic Development Services Office/ Eastern and Southern Africa (Nairobi)
SGS	Societe General de Surveillance
SITC	Standard International Trade Classification
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

The Kenya Commodity Import Program is included within USAID/Kenya's Structural Adjustment Program Grant (615-0213), with funding in the amount of $15.0 million for FY 1984 and $13.0 million for FY 1985. The FY 1984 Program Grant Agreement was signed on September 25, 1984. At this time, implementation mechanisms are operational and functioning well, demand for the program among Kenyan importers is approximately at the anticipated level, and disbursements are steady.

This evaluation is a review of progress which concentrates on implementation aspects of the program, particularly factors affecting importer participation and demand for the program within the Kenyan private sector. The report describes development of the CIP and establishment of operational procedures, examines factors affecting timing and pace of disbursements, and provides a profile of importers based on interviews with a sample of users. Recommendations address ways to improve implementation procedures and monitoring, and the appropriateness, in light of the team's particular findings, of using a private sector CIP mechanism for future program support in Kenya. The evaluation does not focus on economic factors, although impact on balance of payments and on individual firms is discussed.

The purpose of the Structural Adjustment Program has been to provide additional balance of payments and budget support required by the GOK while it continues to promote the structural changes needed to address the underlying development problems facing the economy. Numerous conditions precedent to disbursement and covenants included in the FY 1984 and FY 1985 agreements reflect assessment of structural adjustment requirements and policy reform. Startup of implementation of the CIP portion of the program was slow due to GOK delays in meeting conditions precedent related to policy reform for the overall program. The CP's for the FY 1984 program were met in February of 1985. The CP's for the FY 1985 program have yet to be met, although a resolution is anticipated within the next two months.

The GOK did not address the covenants affecting operations of the program until after the CP's were met. This led to some additional delay. The program became operational in August 1985 when the seven bank Letters of Commitment were established. Currently, 168 applications have been approved by AID (at a level of $10,070,451.80), of which 141 applications have been approved by the GOK (at a level of $8,663,241.00). Seventy-two letters of credit have been opened with a total value of $3,507,738.94. (More have probably been opened but AID has not yet been advised).

As of January 1987, total disbursements under the CIP were $777,327. Thus, the pace of the program has been too slow for macro economic objectives. However, projections made during CIP design were unrealistic. A commodity import program such as Kenya's cannot be established rapidly, but once it is set up, disbursements are generally steady. Available analyses suggest that the elapsed time before the CIP became fully operational was to be expected in Kenya. The program is now functioning smoothly, and demand for eligible U.S. products is fully adequate and at anticipated levels. With the current application rate of $1.0 to $1.3 million per month, and the possibility that this rate will increase, FY 1984 and FY 1985 funds should be fully committed early next year.

Importer participation is conditioned largely on the fact that the CIP is an additional source of foreign exchange for which import licenses can be more quickly and easily obtained. From the point of view of the importer, another advantage is the 180-day grace period, which is normally passed on by the banks. A further advantage is access to U.S. suppliers through advertising. Firms interviewed are pleased with the CIP and report positive effects of CIP commodities on employment, sales and productive capacity.

Fifty percent of the importers interviewed cited difficulty in obtaining bank credit. While the problem is not specific to the CIP -- many smaller businesses have difficulty with credit for whatever purpose -- it would be useful if AID could undertake steps to broaden the base of participation. The evaluation discusses the possibility of using the local currency programmed Credit Guarantee Programme to make credit available to clients who would otherwise be unable to use the program, and recommends that this be explored.

Although there is widespread awareness of the CIP, its procedures and benefits are not well understood among Kenyan importers. Among the five banks actively participating, there is a wide variation in level of participation, which is due in part to differences in staff ability to explain the CIP to its customers and assist them to follow its procedures, and in part to differences in the banks' customer base. Recommendations are made concerning specific ways to improve marketing of the CIP and education for both private sector importers and commercial banks about what it can and cannot do.

Two of the banks show very poor participation, and the evaluation includes a recommendation to drop one of them from the program (and shift funds to more active banks), and to consider dropping the second, after a waiting period. Since there is little financial incentive for banks to participate in the CIP --their only income is from letter of credit opening fees -- it might be wise to examine what additional incentives might be provided.

If the mission is satisfied with progress on the policy front, then provision of additional resources for the CIP appears justified. If foreign exchange resources become more scarce in FY88 and beyond, the program would to a greater extent finance commodities which would not otherwise be available, and would be even more in demand. In any case, there is reason to believe that the current level of demand could easily be maintained for several years, as long as there is no disruption in the availability of funds.

The evaluation recommends that the private sector CIP be considered for financing in FY88 and in future years, at approximately $15.0 million annually. The decision should take into account a recommended study of development and beneficiary impact of the current CIP. Timing is an important consideration, however, so that FY88 funds can be made available to preclude or at least minimize any gap in the availability of funds. Such a gap would bring a loss of the momentum which has now been established, and might result in another long start-up time in order to re-establish operational relationships between AID, the banks and the importers.

The evaluation team reviewed program management, including the decision to contract for arrival accounting, end use checks and monitoring of local currency deposits. Management and monitoring aspects of the program are generally excellent. A recommendation is made regarding minor modifications to the computerized CIP tracking system. It is also suggested that expenditures be accrued in order to get a more accurate and timely picture of disbursements.

LIST OF RECOMMENDATIONS

1. **Recommendation:** No additional incentives are required at this time in order to attract clients to the program. Additional steps would have the effect of increasing applications beyond the $15.0 million per year originally anticipated for the program. However, the mission should continue its promotional activities to ensure continued interest in the program.

2. **Recommendation:** That the USAID/Kenya CIP office include in its initial meetings with clients an inquiry about their financing arrangements, and encourage clients to begin negotiations with their banks before the import license is granted. Furthermore, a cutoff date should be added to AID's letter of approval so that clients will be informed that AID will require return to the AID office for discussions if L/C's are not obtained 60 (or 90) days after the import license is granted.

3. **Recommendation:** In order to get a more accurate and timely picture of disbursements under the program, the CIP office should accrue expenditures based on the value of L/C's issued which are expired. Accruals, as opposed to actual disbursements, should be clearly noted. This procedure can be easily accomplished using the computerized Tracking System. See Annex D.3.

4. **Recommendation:** AID should recommend to the GOK that First Chicago/First American be dropped from the program at this time, and the available funds provided to one of the banks which is heavily involved. This should help alleviate an anticipated shortage situation. The Bank of Credit and Commerce should be given a period of time in which to participate and should be encouraged to do so. If after that time there is still limited activity, it should also be dropped from the program, with funds removed from the L/COM. Either bank should be permitted to re-apply at a later date. The mission may want to consider talking to the GOK about adding other banks to the program.

5. **Recommendation:** That USAID consider the possibility of additional incentives for the banks. One possibility might be to provide an extra 30 day grace period which would be for the exclusive benefit of the banks. This would be especially important if disbursement rates were to slow.

6. **Recommendation:** Marketing the CIP should be improved, and the mission should consider the following measures in order to do so:

   -- A separate piece of educational literature should be developed which succinctly states the purpose and operations of the program, and its benefits to users.

- -- Informative notices should be better targeted to the private sector importer community, perhaps through careful selection of publications, such as the Chamber of Commerce Monthly Magazine, Kenya Management Association publications, Financial Review, and others. That the CIP assists in locating U.S. suppliers should be included in these notices.

- -- The CIP office could promote and explain the program through Chambers of Commerce and other business associations, even if this has already been done.

- -- The CIP office should assist the banks to be more actively involved in marketing the program. Seminars should be held with personnel from each of the banks, and banks could be asked to invite selected customers to these seminars. (For example, the CIP office could hold a one-hour session with bank personnel, after which clients would arrive for a second one-hour session. The Embassy FCS might also participate in these seminars.)

7. **Recommendation:** That USAID/Kenya explore the feasibility of utilizing the local currency programmed Credit Guarantee Programme, so that credit would be more easily available to potential CIP clients who otherwise could not obtain, or would have difficulty obtaining, bank credit. Such clients could be referred by the CIP office to the Kenya Commercial Bank for participation in the guarantee fund.

8. **Recommendation:** That the mission bring in a programmer from Price Waterhouse under their existing contract to work with the Commodity Management Officer to modify the existing system. This might include adding new data fields and developing new management reports.

9. **Recommendation:** In order to preclude any misunderstanding, the terms of sale should be referenced in the AID approval letter: FOB, FAS, C&F, or CIF, as appropriate.

10. **Recommendation:** In terms of the topics the team has been asked to address, it is recommended that the CIP be considered for financing in FY88 and in future years, at approximately $15 million annually. The decision should take into account the results of a study of development impact of the current CIP. If the mission decides to continue the CIP, timing will be an important consideration, so that FY88 funds can be made available to preclude or at least minimize gaps in the availability of funds, and minimize any loss in the momentum which is now established.

11. **Recommendation:** That, if USAID/Kenya wishes to consider future private sector CIP's, a study of development and beneficiary impact, along the lines discussed above, be undertaken in time to inform design of the FY88 Structural Adjustment Program.

I. METHODOLOGY

This mid-term evaluation of the Kenya CIP was conducted in Nairobi between January 26 and February 13, 1987, by David Cowles (USAID/Egypt), commodity management officer, Michael McWherter (USAID/Kenya contractor), banker, and Rosalie Fanale (REDSO/ESA), project officer/team leader. The team was assisted throughout the evaluation by Annie Lutton, Program Procurement Specialist for USAID/Kenya. The team's scope of work was provided by USAID/Kenya; it is attached to this evaluation as Annex A. In its review of progress, the evaluation team has concentrated on implementation aspects of the program. Of particular interest are the factors affecting importer participation in the program, including publicity provided by USAID about the CIP, and incentives and disincentives to participation. Special attention has been paid to banking arrangements, possible constraints to participation resulting from them, and whether or not they should be changed at this time. The evaluators have also examined CIP administration and monitoring, and conformance of CIP procedures to AID regulations and guidelines. More broadly, the evaluators have examined questions of disbursement rates and overall demand for the program within the Kenyan private sector, in order to be able to assess the program's contribution to the Structural Adjustment Program's overall purpose of providing balance of payments support.

While in theory this is an evaluation of a CIP funded over two years -- FY1984 and FY1985 -- all specific findings refer to the CIP included in USAID/Kenya's FY1984 Structural Adjustment Program, since to date no L/COM's have been issued for the FY1985 CIP.

The team has reviewed project files and the computerized Commodity Tracking System, and has met with staff of USAID/Kenya responsible for implementing the CIP as well as with Price Waterhouse Associates, who are under contract to conduct arrival accounting, end use checks and reporting on local currency deposits. Meetings were also held with other USAID officials, the Embassy Commercial Officer, and representatives of the GOK. Interviews, following a questionnaire prepared by the team, were held with a sample of 10 of the 27 firms for which letters of credit have been opened to date. The sample was selected in order to provide a range in number of CIP transactions per firm, value of CIP transactions per firm, type of business and type of commodity imported. A separate questionnaire was added to provide more information in the case of firms who have utilized the PIB (Procurement Information Bulletin) to advertise in the U.S. A sample of Kenyan firms who have not used the CIP was also selected, using USAID/Kenya's list of importer firms in Kenya, and interviews conducted according to a set questionnaire. Personnel from each of the seven cooperating banks were also interviewed.

A list of persons contacted is included as Annex B. Questionnaire forms are included as Annex C.

Evaluation recommendations address ways to improve implementation procedures and monitoring, and the appropriateness, in light of the team's particular findings, of using a private sector CIP mechanism for future program support in Kenya. It should be noted that the team's scope of work does not include examination of the conditionality included in the Structural Adjustment Program and the extent to which progress has been made. This was comprehensively evaluated for the FY1984 program in March and April of 1985, by Elliot Berg and others. In accord with the scope of work, the evaluation also does not address broader questions of the economic impact of the CIP, although impact on balance of payments and on individual firms is discussed.

II. BACKGROUND AND DESCRIPTION OF THE PROGRAM

A. Background

The Kenya Commodity Import Program is included within USAID/Kenya's Structural Adjustment Program Grant (615-0213), with funding in the amount of $15.0 million for FY 1984 and $13.0 million for FY 1985.

The purpose of the Structural Adjustment Program has been to provide additional balance of payments and budget support required by the GOK while it continues to promote the structural changes needed to address the underlying development problems facing the economy. The immediate justification for the program has been Kenya's foreign exchange and budgeting requirements, including the requirement for large amounts of concessioner assistance to finance balance of payments deficits on its current account. It was anticipated that the FY 1984 CIP would account for 5 percent of the $317 million annual gross external resources estimated to be required for the year, and 12 percent of the average annual quick disbursing assistance required for CY's 1984 and 1985. It was anticipated that the $13 million for FY 1985 would provide Kenya with balance of payments support equivalent to 10 percent of the $125 million required additional financing estimated for 1986. Numerous conditions precedent to disbursement and covenants included in the FY1984 and FY1985 agreements reflect assessment of structural adjustment requirements and policy reform.

(The Grant contains a program of shilling generations for mutually agreed upon development activities in the public and private sectors. None of the counterpart generations from the FY 1984 program have been programmed to date. Issues concerning programming of mission counterpart funds are beyond the scope of this evaluation.)

The FY 1984 Program Grant Agreement was signed on September 25, 1984. Startup of implementation of the CIP portion of the program was slow, however, due to GOK delays in meeting conditions precedent related to policy reform for the overall program. The CP's for the FY 1984 program were met in February of 1985. The conditions precedent for the FY 1985 program have yet to be met, although a resolution is anticipated within the next two months.

By April 1985 the GOK had invited local banks to participate in the CIP. In May, seven local banks were chosen as cooperating banks in which letters of credit could be opened. It was not until late June, however, that Financing Requests were received from the GOK confirming its choice of banks, and requesting that Letters of Commitment be opened with correspondent banks in the U.S. Seven Letters of Commitment requested by the GOK, at $1.0 million each, were issued by AID/Washington on August 6, 1985. By early August, 25 applications, with a value of $1.2 million, were already being held by the CIP office, awaiting availability of funds. Initial processing of these first applications was somewhat slow, due to GOK unfamiliarity with somewhat different procedures, but the pace of processing has picked up and stabilized over time.

B. CIP Procedures

The procedures for the Kenya CIP are very straightforward and not unlike those of AID's other private sector CIP's. The procedures are described in detail in a brochure entitled, "Information and Guidance in the Implementation of the USAID Commodity Import Program in Kenya." They were reviewed by the evaluation team, which has found that they effectively meet AID's regulatory requirements without unduly disrupting normal commercial practice.

The major features of the program are:

-- Eligible Importers: All firms licensed to do business in Kenya and who are registered importers are eligible, except government entities and parastatals. The latter may participate only with written approval from USAID.

-- Eligible Commodities: All commodities which are eligible for financing as specified in the AID Commodity Eligibility Listing are included.

-- Authorized Source and Origin: U.S. only (000).

-- Transaction Size: $5000 minimum and $1,500,000 maximum.

-- Procurement Procedures: Negotiated procurement procedures apply, as specified in Section 201.23 of AID Regulation One which requires good commercial practice.

-- Advertising: Individual proposed purchases will not be advertised unless specifically requested by the importer. AID will, however, periodically publish the names and addresses of Kenyan importers and make this information available to interested U.S. suppliers.

-- Financing Procedures: Bank Letters of Commitment procedures are used, whereby the cooperating Kenya commercial banks open letters of credit to the U.S. suppliers through their U.S. correspondents.

-- Shipping: The authorized source is Code 000 if AID finances freight costs, otherwise it is Code 935. Cargo preference requirements do apply.

-- Local Currency Deposit: The cooperating banks in Kenya must deposit in the special account at the Central Bank of Kenya, the shilling equivalent of the letter of credit amount within 180 days of the date the letter of credit is drawn. The rate of exchange is fixed on the date payment is made to the U.S. supplier.

Interested importers first approach the USAID CIP office with copies of their Import License and Foreign Exchange Allocation application forms. The CIP office will review each application for compliance with AID regulations and then issue a letter to the potential importer stating the transaction is eligible for AID financing. The office can also assist in locating potential U.S. suppliers. AID then transmits the application to the Central Bank of Kenya. After clearing the Central Bank, the application goes to the Ministry of Commerce to obtain the necessary import license, and back to the Central Bank for the foreign exchange allocation. AID is notified of the approval and contacts the importer, who then approaches one of the seven cooperating banks to open a letter of credit to a U.S. supplier through the cooperating bank's U.S. correspondent. The U.S. supplier is paid upon shipment, and the cooperating bank then has 180 days to collect the local currency and deposit it at the Central Bank. The cooperating bank assumes the credit risk for the Kenya shilling deposit.

There are few differences between these procedures and standard commercial practice in Kenya. Of course, importers are bound by U.S. commodity eligibility and shipping rules, and there is a minimum and maximum amount per transaction. The difference in application fee (1/2% rather than 1%) and the assistance which AID provides in obtaining the import license work in favor of the importer. In addition, the letter of credit procedures require a change on the part of some importers who do not normally use such procedures.

C. **Marketing the CIP**

In order to market and publicize the CIP among the Kenyan importer community, a contractor was hired in autumn of 1984 to prepare a "Columbia Plan" list of potential users of the CIP. The contractor secured a list of all registered importers from the Ministry of Commerce and Trade, and wrote to each of the importers asking them to complete a questionnaire indicating their interest in participating in the CIP. After follow-up, approximately 1,300 of the approximately 3,000 registered importers completed the questionnaire, which provided information on who in the firm to contact, the firm's type of business, and what the firm would be interested in importing from the U.S. This work was completed in the spring of 1985, but substantial staff time was still necessary to edit the index. This list was sent to AID/Washington in September 1985, and due to staff shortages in OSDBU, it was not published until June 1986. Many importers report receiving queries from U.S. suppliers in response to their being listed in this "Columbia Plan."

The 1,300 Kenyan firms who responded to initial query were each sent a personalized letter in January 1986, which discussed the major benefits of the CIP and offered a copy of a brochure which had been prepared by USAID/Kenya in order to explain the CIP in detail. Approximately 400 firms responded to the letter and asked for the brochure.

In August 1986, the CIP was advertised in several local newspapers over several weeks. In response to this advertisement, approximately 200 importers asked for further information. However, many had no clear plan or idea of what they wanted to import. Representatives of the CIP office have also spoken formally and informally to Kenyan business groups.

The information brochure is presently being revised. When it is reprinted, the CIP office plans to write again to each of the 1300 importers who initially responded, and remind them about the CIP. Also, it is planned that the remaining Kenyan importers who have never expressed an interest in the CIP will be sent a letter with a questionnaire similar to the one used to solicit the original information from them.

III. PROGRESS TOWARD OBJECTIVES

A. Program Status

The program became operational in August 1985 when the seven bank Letters of Commitment were established.

The following table summarizes progress to date. Annexes D.1. and D.2 show in more detail the level of activity under the program by month. Data are taken from the mission's computerized CIP tracking system.

Stage	No.	Value in Dollars
Committed		14,000,000
Applications Approved by AID	168	10,070,451.80
Applications Approved by GOK	141	8,663,241.00
Letters of Credit Opened	72	3,507,738.94
Applications Cancelled	22	not available
Applications Rejected	1	11,000.00
Goods Shipped		792,730.99
Disbursements		777,326.69

The average transaction size is just under $60,000 and, as shown in the table below, most of the funds (60 percent) have gone toward the purchase of equipment and machinery.

SITC CLASSIFICATION FOR AID APPROVED TRANSACTIONS
AS OF 01/26/87

SITC	DESCRIPTION	U.S.$	PERCENT
2	Crude Materials, Inedible, except fuels	84,272.21	0.83
3	Mineral Fuels, Lubricants and Related Materials	271,877.32	2.69
5	Chemical and Related Products	3,397,843.21	33.75
6	Manufactured Goods Classified by Materials	333,158.06	3.31
7	Machinery, Transport Equipment	5,931,223.63	58.96
8	Misc. Manufactured Articles	51,322.21	0.51
	TOTAL	$10,069,696.64	100.05

B. Progress

As stated above, the $15.0 million FY 1984 CIP was to supply approximately 12 percent of the average annual quick-disbursing assistance required during 1984-85. The shilling counterpart generation was to supply approximately 21 percent of the projected shortfall in gross program assistance required to support the 5-year Development Plan. As of the end of January, 1987, total disbursements and the total counterpart deposit equivalent under the CIP were $777,326.69. Thus, the program has clearly not been successful in meeting its stated purpose, with implementation leading to disbursements which are now far too late to ameliorate Kenya's balance of payments situation of 1984 and 1985. (With respect to the program's success or failure in promoting specific policy reforms through the use of conditions and covenants, this issue is not included in the scope of work for the evaluation. It has been addressed in another document, "Evaluation of the AID 1983-1984 Structural Adjustment Program in Kenya," prepared by Elliot Berg, Walter Hecox and James Mudge, and dated October 1985.)

It is interesting to refer back to a report prepared by James Tribble in December 1983 ("Report and Recommendations to USAID/Kenya on a Proposed Commodity Import Program Grant to the Republic of Kenya," J.W. Tribble, American Manufacturers Export Group). This report examined the potential for establishing a Commodity Import Program in Kenya, and examined Kenya's import requirements over a 5 year period, 1978-1982. During this period the U.S. share of total imports remained fairly constant at about 5-6 percent, averaging $125 million per year. Approximately $46 million of this amount would normally be eligible for AID financing. The report identified 28 categories of goods, with an annual value of $45.3 million, with high potential for importation under the CIP. The categories were selected on the basis of dollar value, traditional purchasing patterns, potential for growth and quick disbursement.

As shown in the attached table, the level of imports from the U.S. has fallen sharply from the $125 million average discussed in the Tribble report. This was caused by a decline in overall non-governmental imports as well as a declining U.S. share of the market. Although the value of non-governmental imports has increased steadily since 1985, it has not regained 1980 levels. The percentage of total non-governmental imports supplied by the U.S. has also increased steadily since 1983, mainly due to the declining value of the U.S. dollar. Nevertheless, imports from the U.S. totalled only $91.2 million in 1985, well below the 1978-82 average.

Imports CIF Millions $ U.S.

	1980	1981	1982	1983	1984	1985	*198
Total Imports	2628.4	1889.6	1477.3	1387.1	1417.6	1497.6	1711.9
Not Including GOK	2405.4	1728.3	1359.6	1307.9	1358.1	1444.7	1579.1
U.S. Imports	164.3	140.7	100.0	66.9	73.7	91.2	72.8
(as % non-GOK imports)	6.83%	8.14%	7.36%	5.12%	5.43%	6.31%	

preliminary projections based on 1st quarter data.

Sources: Imports and non-GOK imports, USAID/ Kenya FY1987 Structural Adjustment PAAD; for U.S. imports 1983, 1984, 1985, U.S. Embassy FCS, Nairobi; U.S. imports 1982, Tribble report; U.S. imports 1980 and 1981, IMF Direction of Trade Statistics Yearbook.

One of the difficulties mentioned by importers interviewed in conjunction with the Tribble report was a scarcity of foreign exchange. This finding clearly influenced demand projections for the CIP. In 1986, as a result of declining oil prices and increased coffee prices, Kenya ended with $400 million in reserves, equal to the country's requirement for a reserve of the value of 14 weeks of imports. It is likely that the relative abundance of foreign exchange has moderated demand for the CIP.

However, macro economic factors do not explain the much poorer disbursement rate than expected for the FY 84 program. It appears that projections made during CIP design were, for a number of reasons, unrealistic and led to misleading analysis of impact on balance of payments. The 1984 PAAD targeted October 1987 as the date when the Grant would be fully disbursed. This target will almost certainly not be met for a number of reasons. Annex E to the FY 1985 PAAD shows expected commitment and disbursement rates which are also unrealistic. This annex also shows disbursements breaking $15 million in March 1987, which is seven months earlier than envisioned under the FY 1984 PAAD.

As shown in the following table, GOK failure to meet CP's in a timely manner led to significant delays in implementation. It is worth noting that the Tribble report made a point of discussing the delaying effect which numerous CP's and covenants would have on disbursements.

Kenya CIP Timetable

	FY 84 - $15.0m		FY85 - $13.0m	
	Target	Actual	Target	Actual
Authorized	9/17/84	9/21/84	9/15/85	9/13/85
Grant Agreement	9/2[illegible]/84	9/25/84	9/30/85	9/20/85
CP's Met	11/30/84	2/28/85	3/86	
FR's Signed		6/28/85		
L/COM's Established	12/15/84	8/6/85	9/15/86	
Grant Fully Disbursed	10/31/87		9/30/88	

There are further reasons why the original implementation schedule was extremely optimistic. The Tribble report also discussed the fact that many importers were accustomed to 180 day supplier credit and recommended, as a result, that CIP imports be granted a grace period of between 210 and 240 days from shipment until the shilling equivalent must be paid. However, the CIP was designed with a 90 day grace period and only in July 1986 was it extended to 180 days. The report also cautioned that the CIP would not be met wit an immediate or overwhelming demand by the private sector, a. that the program would have to be publicized and nurtured to full acceptance.

The slow start up has, however, been overcome. Applications are now being received at acceptable levels. Applications have been running at an average rate of approximately $1,275,000 per month for the past six months. This translates into an annual rate of over $15.0 million, equal to the value of the 1984 agreement.

Taken as a whole, CIP procedures are well established and functioning smoothly. Actual progress has not been out of line with expectations set forth in the Tribble report. Demand for the program is fully adequate. With the current application rate of $1.0 to $1.3 million per month, and the possibility that this rate will increase, FY84 and FY85 funds should be fully committed by this time next year.

Recommendation: No additional incentives are required at this time in order to attract clients to the program. Additional steps would have the effect of increasing applications beyond the $15.0 million per year originally anticipated for the program. However, the mission should continue its promotional activities to ensure continued interest in the program.

A related procedural concern is, however, the amount of time it has been taking to record a disbursement after the application is submitted to the GOK (See Annex D.4.) Since the inception of the program, it has taken an average of 40 days to receive GOK approval for the import and foreign exchange license. For applications submitted after June of 1986, this average has fallen to 23 days. This is still more than the 15 days total covenanted in the grant agreement for the issue of import licenses (10 days) and the foreign exchange allocation (5 days). The mission is aware of this discrepancy and has sent a PIL in this regard. It is unclear if the average is skewed slightly by some transactions which were originally rejected by the GOK and later approved following appeal. In any case, the period for GOK licensing is much shorter for CIP imports than for other imports, which is generally between 3-4 months.

It is also interesting to note that it has taken on average 60 days from the date of GOK approval to open a letter of credit. This is an exceedingly long time, and it may reflect importers' planning for uncertainty and customary delays in the amount of time required to get the requisite GOK approvals prior to the purchase. It almost certainly also reflects problems many smaller firms have in getting shilling financing through the banks to open letters of credit, a problem these clients would have with or without participation in the CIP. AID could, however, take steps to encourage clients to plan ahead for this delay, which is affecting CIP disbursement rates. Delays in obtaining credit may in part explain the relatively large number of cancellations which have taken place: twenty-two transactions approved by the GOK were cancelled without a letter of credit being opened.

> Recommendation: That the USAID/Kenya CIP office include in its initial meetings with clients an inquiry about their financing arrangements, and encourage clients to begin negotiations with their banks before the import license is granted. Furthermore, a cutoff date should be added to AID's letter of approval so that clients will be informed that AID will require return to the AID office for discussions if L/C's are not obtained 60 (or 90) days after the import license is granted.

Also of concern is the amount of time it takes to record a disbursement after actual disbursement. The total value of L/C's issued reached $810,555.81 in month 8 of the program. As of month 20, disbursements still have not reached this level. It is assumed that this is in part a problem of data collection. Disbursement figures come from two sources, the cooperating banks and the W-214 report from AID/Washington. Data from the banks are collected from the deposit ticket for the special account, a copy of which goes to Price Waterhouse. The problem with this method is that the deposit is not made until 180 days after shipment. The W-214 report is also dated and sometimes inaccurate. The most recent report available to the mission at the time of the evaluation was three months old. The mission would benefit from another and more timely measure of disbursements.

Recommendation: In order to get a more accurate and timely picture of disbursements under the program, the CIP office should accrue expenditures based on the value of L/C's issued which are expired. Accruals, as opposed to actual disbursements, should be clearly noted. This procedure can be easily accomplished using the computerized Tracking System. See Annex D.3.

IV. KENYAN IMPORTERS: FACTORS AFFECTING PARTICIPATION

This section of the evaluation provides a more detailed profile of participants in the program and analyzes those factors which affect demand for and participation in the program by Kenyan importers. The discussions below are based primarily on data collected by the evaluation team through interviews with participating importers, firms who have not used the program, and cooperating banks.

A. Profile of Importers

Ten of the 27 firms which have opened letters of credit to date were interviewed. This sample represents 30 separate transactions (out of a total of 72) and a transaction value of $1,609,927 (out of a total of $3,900,000). Thus, roughly 40 percent of the resource transfers to date within the program are included in the sample.

1. The Firms

Of the total number of firms, four are involved in manufacturing and six are involved in sales and/or service. Six are corporations, three are subsidiaries of other companies outside of Kenya, and one is a partnership. There is a wide range in size of firm within the sample, including firms with fewer than 5 to more than 1000 employees. Sixty percent of the firms had exports last year.

Regular import needs of the firms range from $62,000 per year to over $6.0 million per year, with an average of $1,300,000 per year. (The average is perhaps misleading due to the inclusion of a few very large importers in the sample). Forty percent of the sample normally use letter of credit procedures to pay for imports, and 40 percent normally do not use letters of credit -- 20 percent stated that they use letter of credit for about half of their import purchases. (Other financing mechanisms used are sight drafts, bills of exchange, and open credit with suppliers, such as in the case of wholly owned subsidiaries). For sources of supply, 50 percent have a special relationship (such as agent or distributor) with a supplier, while 30 percent solicit offers competitively and 10 percent use longstanding "traditional" sources. (One firm uses a combination of these). Eighty percent usually rely on bank credit for funds, 10 percent normally obtain supplier credit, and 10 percent normally pay cash.

There is a wide range in terms of level of imports which are normally (without the CIP) sourced from the U.S. Thirty percent of the sample claimed that U.S. imports form 80 percent or higher of their total import needs. Forty percent, on the other hand, normally obtain 5 percent or less of their imports from the U.S. Twenty percent obtain half of their imports from the U.S.

2. Experience with the CIP

Firms in the sample were asked about the commodities imported under the program, and what would have been done if the firm was unable to get CIP funds. Seventy percent stated that they would have probably met their needs in another way, but it would have taken longer. Thirty percent would have immediately met their needs in some other way. No one felt that they would have been unable to proceed with the procurement. (These findings relate to the discussion of additionality, which is addressed in Section VI.) Ninety percent maintained that they would use the CIP again.

Questions concerning credit terms from the bank showed that 60 percent were given the full 180 day grace period before payment was due, while 30 percent were given no grade period. Ten percent were given 180 days grace period on 50 percent of the value of the procurement, with the remainder required as a down payment. It appears that the bank's regular and more credit worthy clients were those who were given the grace period. Also, 50 percent of the sample settled full value after 180 days, while the other half covered the payment with an overdraft or loan from the bank.

The importer questionnaire included lists of attractive features and disadvantages of the CIP, and firms indicated which of the features applied to them. Perceived advantages are as follows:

100 percent said it was easier and quicker to obtain an import permit;

80 percent stated that license application fees were reduced since no inspection was required;

60 percent cited the grace period before payment; and

50 percent cited the hedge against foreign exchange fluctuation.

Another benefit of the CIP cited by two of the smaller firms was that it helped to provide access to U. S. suppliers.

From the firms' point of view the disadvantages of participation in the CIP which were most often cited were the following:

50 percent cited delays in U.S. shipping and the expense of shipping on U.S. flag vessels;

50 percent thought that the CIP procedures were unclear;

30 percent cited a reluctance of U.S. suppliers to meet AID documentation requirements; and

50 percent said that they had had difficulty in getting bank credit. These are, however, firms which would have had some difficulty obtaining credit with or without participation in the CIP -- including firms who do not normally bank with one of the seven cooperating CIP banks.

Contrary to expectations, only 20 percent cited difficulty in using letter of credit procedures.

3. Procurement Information Bulletin

The evaluation team was asked to pay special attention to advertising procedures as applied to date in the program, and to whether or not AID's procedures to locate U.S. suppliers can be improved upon. AID has assisted importers to identify potential U.S. suppliers on 37 separate occasions by advertising in the AID-financed Procurement Information Bulletin (PIB). A separate questionnaire was developed (as included in Annex C) and six of the firms who have been assisted by AID through the PIB were contacted.

The mission has received copies of only 9 of the 37 advertisements which were published. The average amount of time from date of request to date of publication was 14 days, with a range from a maximum of 36 days to a minimum of 6 days. Only three of the 37 PIB's resulted in Letters of Credit being opened to U.S. suppliers under the program. Of the six firms who have utilized the PIB who were contacted by the evaluation team, two firms have purchased from a supplier identified through the PIB process, one firm is in the process of concluding a transaction, and three have no immediate plans to proceed with a purchase. However, the mission is also aware of other users of the PIB who did not receive any offers.

In all six cases the importers felt that the PIB process was helpful. Each importer received an average of 15 responses to the advertisement. The three firms which did not proceed with a procurement did so for a variety of reasons: two had trouble arranging for the necessary Kenya shilling financing, while the other had plans to start a new business which have since been postponed.

The interviews which have been conducted show that the PIB process has generally been timely, and it is very effective for locating potential suppliers. However, many firms which avail themselves of the service are not serious prospects for utilizing the CIP. Although the CIP office cannot turn away interested clients, improvements in information about CIP procedures (discussed in Section IV.D., below) should result in fewer inquiries from inappropriate firms.

B. Interviews with Firms Not Participating

The evaluation team held interviews with 8 Kenyan firms who have not participated to date in the CIP. The sample was selected on the basis of firms who would be likely to have large import requirements, as taken from the A.I.D. Importer List for Kenya, dated June 4, 1986.

Of the sample, 7 firms are manufacturing firms and the eighth is involved in sales and service. Six are corporations, one is a subsidiary of another corporation, and one is a family firm. As with the sample of CIP users, there is a wide range in number of employees per firm (from less than 10 to more than 1000) and in firms' annual income. All of the firms in the sample were large importers, as anticipated, with a range of about \$1.0 million to \$7.2 million per year. Seven of the eight firms normally do not source from the U.S. (0-1% of imports from U.S.), while one firm gets 75 percent of its equipment and 5 percent of its raw materials from the U.S. Four of the firms normally purchase from the supplier with the best offer, three purchase from a supplier with whom there is a special relationship, and one purchases from longstanding sources of supply.

All of the firms interviewed were aware of the Kenya CIP. The questionnaire included a query as to factors affecting the decision not to utilize the CIP. There was a lot of variation in the responses, with the following cited most often:

U. S. products and shipping too expensive (3 of 8)

The difficulty or expense of using letters of credit (3 of 8)

That CIP benefits or procedures are unclear (3 of 8)

The difficulty of locating U.S. suppliers (5 of 8)

In discussions with representatives of these firms, it is clear that there is a widespread awareness of the CIP, but misconceptions about how it works or what it can do. Several interviewees stated that their purchasing patterns are based on "traditional", non-U.S. sources of supply, that they are unfamiliar with U.S. sources for the goods which they require, and that they would be interested in locating potential sources and pricing some of their regular imports. The interviews may in themselves lead to further inquiries on the part of these firms to the CIP office.

C. Interviews with Cooperating Banks

Staff from each of the seven cooperating banks who are involved in implementation of the CIP were interviewed during the evaluation. Discussions covered such issues as the effect of CIP transactions on bank income; what financing arrangements are made with CIP clients and whether these differ from those for non-CIP clients; the nature of contacts with USAID staff; observations concerning the effect of CIP transactions on bank operations; and, opinions concerning the effect of the CIP on the private sector.

$14.0 million of the $15.0 million of available funds have been committed. There is a lot of variation to date among the banks in level of involvement in the CIP. Additional funds have been added to each L/COM, on an as-needed basis, following the initial $1.0 million Financing Request per bank. The following table shows the level of L/COM's per bank, the level of AID-approved transactions (this includes all firms which have received AID letters of approval including those who do not yet have import licenses or L/C's), and the balance remaining per bank. (Two banks show negative balances; this is to be rectified shortly with the addition of funds).

Bank	Commitments	AID-Approved	Balance
		(In $U.S./as of 2/10/87)	
Kenya Commercial Bank	1,000,000	1,143,960.07	-143,960.07
Bank of Credit and Commerce	1,000,000	150,398.61	849,601.39
First Chicago	1,000,000	-0-	1,000,000.00
Citibank	2,000,000	1,666,577.83	333,422.17
Barclay's	2,000,000	2,359,554.97	-359,554.97
Commercial Bank of Africa	1,000,000	422,423.07	577,576.93
Standard Chartered	6,000,000	4,414,197.56	1,515,802.44
TOTAL	14,000,000	10,157,112.11	3,842,887.89

Another measure of level of activity is number of transactions to date -- L/C's opened -- and number of clients this represents, as shown in the following table. Many CIP clients have had several transactions each.

Bank	L/C Value	#Trans	#Clients
Kenya Commercial Bank	72,306.87	5	1
Bank of Credit and Commerce	-	-	-
First Chicago	-	-	-
Citibank	829,153.38	8	3
Barclay's	593,939.91	24	11
Commercial Bank of Africa	192,781.07	10	4
Standard Chartered	2,246,822.69	25	10

In general, the banks report that the ratio of CIP-financed imports to total U.S.-sourced imports under letters of credit is sizable (this does not include U.S.-sourced 'parent-supplied' imports to wholly-owned subsidiaries). However, CIP transactions represent a very small (less than 5 percent in most cases) proportion of total imports. The banks look upon participation in the CIP as a customer service rather than a source of profit, since actual income is limited to L/C opening fees. The CIP is not marketed as such to bank customers, but it is presented to them as an extra source of foreign exchange with freedom from foreign exchange fluctuation. Borrower costs (14 percent fixed rate) and collateral requirements are the same for CIP and non-CIP import customers, and credit-worthiness is not affected by CIP participation. Regular bank customers usually use their overdraft facility together with L/C's. The banks were unanimous in their view that the CIP is a positive means of supplying assistance to the Kenyan economy and to the Kenyan private sector.

Although the banks have good working relationships with the CIP office, interviewees repeatedly cited the fact that CIP procedures are often not well enough understood by bank personnel for them to effectively assist their customers. This has limited bank performance. The problem is in part due to turnover of bank staff. Banks are requesting further assistance from the CIP office in this regard, specifically that the CIP office hold seminars for bank staff, including business development officers, documentary credit staff, credit staff and others. Trained head office staff can then follow-up with branch staff, who are important links to CIP clients. The possibility of seminars involving the CIP office and bank staff together with important customers was mentioned. Also suggested was that the CIP office could better target its advertising of the CIP to a more specific, business-oriented audience. All banks would like a copy of AID's commodity eligibility list.

In the case of two banks, First Chicago and Bank of Credit and Commerce, performance has been very limited, due to situational factors which bear discussion. AID has not approved any transactions to date for First Chicago, a bank which has recently changed ownership and is now renamed First American. Historically, the bank has tended to deal exclusively with large corporate customers and multinationals, and it has not been interested in small, private customers. The bank has tended not to market itself, but has dealt only with customers who come to them. Thus, the bank does not appear to have a client base appropriate for the CIP. The Bank of Credit and Commerce has to date a very low level of CIP activity. The bank's client base is primarily the trading community --appropriate for the CIP -- but its clients traditionally do business with Asia, Japan and Europe and are not familiar with U.S. suppliers. However, Bank of Credit and Commerce staff would like to market the CIP to its customers and become more involved.

> **Recommendation:** AID should recommend to the GOK that First Chicago/First American be dropped from the program at this time, and the available funds provided to one of the banks which is heavily involved. This should help alleviate an anticipated shortage situation. The Bank of Credit and Commerce should be given a period of time in which to participate and should be encouraged to do so. If after that time there is still limited activity, it should also be dropped from the program, with funds removed from the L/COM. Either bank should be permitted to re-apply at a later date. The mission may want to consider talking to the GOK about adding other banks to the program.

Although most of the banks are pleased with the CIP and are willing to support customers who wish to use it, they do not have any real financial incentive to promote it. The 180 day grace period for payment of local currency is passed on to their customers, and the only income is from L/C opening fees.

> **Recommendation:** That USAID consider the possibility of additional incentives for the banks. One possibility might be to provide an extra 30 day grace period which would be for the exclusive benefit of the banks. This would be especially important if disbursement rates were to slow.

D. Discussion: Factors Affecting Participation

As the above analyses have shown, demand is fully adequate for the CIP, and the program is running smoothly. The level of demand for eligible U.S. products is about what was anticipated in the design of the program. Participation is conditioned largely on the fact that the CIP is an additional source of foreign exchange for which import licenses can be more quickly and easily obtained. From the point of view of the importer, another advantage is the 180-day grace period, which is normally passed on by the banks to credit-worthy customers. A further advantage is the access to U.S. suppliers which is provided through advertising. One interviewee firm was able to develop a distributorship as a result of contacts developed through the CIP.

There were three equally cited disadvantages of the program: delays or expense in U.S. shipping; unclear procedures; and difficulty in getting bank credit. It is beyond the scope of the evaluation to suggest any way of dealing with the first problem, but the evaluation team would like to suggest steps to minimize the second problem, and a possible way to address the third.

Although there is widespread awareness of the CIP -- most private sector firms who import are probably aware of it -- its procedures and benefits are not well understood, even among some of its users. The brochure which is distributed is perceived as unclear, and newspaper advertising has been too general and perhaps not targeted to the appropriate audience. Among the five banks actively participating, there is a wide variation in level of participation, which is due in part to differences in staff ability to explain the CIP to its customers and assist them to follow its procedures. The banks play a key role in CIP implementation, yet all banks cited a lack of understanding of CIP procedures.

Recommendation: Marketing the CIP should be improved, and the mission should consider the following measures in order to do so:

-- A separate piece of educational literature should be developed which succinctly states the purpose and operations of the program, and its benefits to users.

-- Informative notices should be better targeted to the private sector importer community, perhaps through careful selection of publications, such as the Chamber of Commerce Monthly Magazine, Kenya Management Association publications, Financial Review, and others. That the CIP assists in locating U.S. suppliers should be included in these notices.

-- The CIP office could promote and explain the program through Chambers of Commerce and other business associations, even if this has already been done.

-- The CIP office should assist the banks to be more actively involved in marketing the program. Seminars should be held with personnel from each of the banks, and banks could be asked to invite selected customers to these seminars. (For example, the CIP office could hold a one-hour session with bank personnel, after which clients would arrive for a second one-hour session. The Embassy FCS might also participate in these seminars.)

Improved marketing should erase misconceptions about what the CIP can and cannot do. One of the benefits should be that the client base will be broadened to include clients who previously were tied to 'traditional', non-U.S. sources of supply. Some of the perceived disadvantages which those not using the program have cited may not hold true after U.S. suppliers are located. In fact, the market in Kenya for U.S. products should grow as the CIP assists clients to locate U.S. suppliers.

The other problem area limiting participation in the CIP is credit. 50 percent of the importers interviewed cited difficulty in obtaining bank credit. Many smaller firms are unable to participate in the program, including some of those who obtain AID letters of approval only to withdraw because of lack of bank credit. Shilling financing through the banks is obviously a constraint for Kenya's smaller and/or newer firms, whether credit is for a CIP procurement or for some other purpose. It would be useful if AID could include positive steps to broaden the base of participation and assist those for whom credit is a constraint. Mechanisms may exist whereby CIP clients could be directed to other programs to assist with the necessary credit, and the mission's Credit Guarantee Programme seems appropriate. The program is funded with local currency and managed by Kenya Commercial Bank, and guarantees short term credit of up to 1.0 million Ksh, or about $62,000. The loan size is appropriate for CIP clients and the two programs could probably be linked without significant changes to either of them. Such a step would probably be very favorably received by the GOK as a way to assist small firms.

> **Recommendation:** That USAID/Kenya explore the feasibility of utilizing the local currency programmed Credit Guarantee Programme, so that credit would be more easily available to potential CIP clients who otherwise could not obtain, or would have difficulty obtaining, bank credit. Such clients could be referred by the CIP office to the Kenya Commercial Bank for participation in the guarantee fund.

V. MANAGEMENT AND MONITORING

A. Program Management

A CIP office is established within the USAID/Kenya Office of Projects, with a contract Program Procurement Specialist working full time along with the U.S. direct hire Project Development Officer for the CIP. The CIP office reviews all applications from potential clients, and in particular examines these applications for commodity eligibility and evidence of competition or of a special supplier/importer relationship. In addition, the CIP office explains the program to prospective importers and clarifies questions regarding U.S. regulations; maintains regular relationships with cooperating banks; helps Kenyan importers to locate U.S. suppliers; supervises the work of Price Waterhouse Associates in arrival accounting, end-use auditing and verification of CIP counterpart deposits; and ensures that monitoring, including the computerized Tracking System, is kept up to date.

A role which has become very important in terms of benefits to CIP clients is that of advising on documentation for the import license and ensuring that applications are correct. Although this has resulted in a program which may be more labor intensive than some, the active role AID takes, by submitting the license to Kenya authorities and following through, is a support service of benefit especially to smaller firms.

The CIP office has maintained excellent relations with host country counterparts in the Ministry of Commerce and the Central Bank, with cooperating commercial banks, and with importers. The U.S. Foreign Commercial Service has been helpful and supportive.

B. Computerized Tracking System

The computerized system designed for the Kenya CIP by the consulting firm Thunder and Associates was reviewed and found to be generally excellent. It is updated regularly by USAID and by Price Waterhouse. Thunder worked closely with the Commodity Management Officer in order to develop a comprehensive system which tracks each CIP transaction from the time an application is submitted until goods are cleared through customs and local currency deposited in the special account. The system was designed to provide a series of regular reports summarizing program status.

As with all new data systems, there is a periodic need to modify and refine the program based on actual experience. Although some modifications have been made, there is need for further work, particularly in the development of new reports. The CIP office currently must re-enter data from the system onto a Lotus spreadsheet in order to generate a number of desired reports. This is time consuming and, based on discussions with a Thunder representative, unnecessary.

Relatively modest modifications to the system could substantially enhance its utility. The type of fine tuning we are proposing is normal as a new system matures.

> **Recommendation:** That the mission bring in a programmer from Price Waterhouse under their existing contract to work with the Commodity Management Officer to modify the existing system. This might include adding new data fields and developing new management reports.

Annex D.3. provides a series of suggestions for modifying the existing system based on experience with the CIP program in Egypt. However, close consultation with those responsible for implementing the Kenya CIP is essential to ensure that changes to the system meet their needs. It should be recognized that it is never possible to design a perfect system and that further changes will probably be necessary. The contract with Price Waterhouse Associates (below) provides the mission with access to one source of programming capability to make minor adjustments as necessary.

C. Price Waterhouse Associates Contract

Price Waterhouse was contracted in March 1985 (with an amendment in March 1986) to provide monitoring support to the CIP Office. Tasks contracted to PWA include provision of information necessary to assure that commodities purchased under the CIP have arrived and are being cleared through customs promptly, that commodities are utilized promptly for proper purposes, and that deposits are made into the special account as called for in Project Agreements. The evaluation team views contracting for these services as a positive step which has saved time for AID staff.

Evaluation team meetings with PWA showed that tasks are being performed according to the scope of work, which in more detail requires PWA to:

1. Document the arrival and clearance from customs of all CIP-financed commodities. PWA obtains from AID copies of each import license, letter of credit and Bill of Lading, shipping document or Airway Bill. These are compared to port or airport records and customs records. PWA has subcontracted to another firm which visits ports of entry for each arrival. PWA also provides a report to AID which indicates cases in which no bill of lading has been received 60 days after expected date.

2. Check end-use of commodities, through visits to a 25 percent sample of CIP importers, as computed separately by dollar value, number of transactions, and location. Such visits are to be made in order to view utilization of commodities within 18 months of arrival, as specified in the Project Agreements. A basic determination is made of use, e.g., retail sale/sold; raw materials consumed; machinery placed in operation; goods exported.

3. Regularly review records of each cooperating commercial bank to determine whether deposits, in the amount and on the date required, are made. This includes tracking the foreign exchange rate. PWA also assures that the Central Bank of Kenya maintains the Special Account properly, with withdrawals only for agreed upon purposes.

PWA provides regular commodity arrival reports to AID which indicate which commodities have cleared the ports, which ones have had partial, damaged or missing deliveries, and which commodities have been in port for more than 30, 60 and 90 days. . End use reports summarize each end-use visit. PWA also reports on any violation of AID's marking requirement, and submits audit reports on reviews of the Special Account. All reports are up-to-date; the first two end use reports were completed in December 1986 and January 1987.

D. Compliance with AID Regulations

Twelve transactions were pulled at random and examined for compliance with applicable AID regulations. No discrepancies were found. In ten of the twelve, the importer was purchasing from a firm where a special supplier/importer relationship existed. Copies of relevant agency/distributorship agreements were on file in all cases. Two transactions which were conducted on a negotiated basis evidenced good commercial practice. Commodity eligibility was clearly established in all cases.

Recommendation: In order to preclude any misunderstanding, the terms of sale should be referenced in the AID approval letter: FOB, FAS, C&F, or CIF, as appropriate.

VI. CONSIDERATIONS FOR THE FUTURE

It is clear that the level of CIP resources disbursed to date is far too small to have any effect on Kenya's economy. However, there is evidence of significant impact on individual firms, based on results of the questionnaires administered to participating importers.

Firms perceive several effects of CIP commodities:

-- 40 percent of the firms in the sample stated that the goods which were imported allowed them to increase employment;

-- 80 percent of the firms in the sample saw increases in sales and/or revenue; and

-- 100 percent of firms in the sample which were engaged in manufacturing stated that productive capacity increased and operating costs decreased.

These favorable observations regarding the impact of the program must be tempered somewhat due to the problem of fungibility. Thirty percent of the firms sampled stated that if CIP financing had been unavailable they would have immediately met their needs in another way. Seventy percent would probably have been able to meet their needs in another way, although it would have taken longer. No one thought they would have been unable to proceed with the procurement. These findings might have been different if Kenya was not currently in a favorable foreign exchange situation.

Since the CIP is, for the most part, financing goods which would have been imported anyway, AID is in effect providing additional foreign exchange and not additional goods. In this case the question is whether the host government policy environment is conducive to the most productive use of this additional foreign exchange. This issue is outside the scope of work for the evaluation.

If the mission is satisfied with progress on the policy front, then provision of additional resources for the CIP appears justified to the evaluation team. Also, if foreign exchange resources become more scarce in FY88 and beyond (see the FY87 Structural Adjustment Program Grant Amendment for discussion of Balance of Payment projections for the next several years), the program would to a greater extent finance commodities which would not otherwise be imported, and it would be very much in demand. In any case, a thorough examination of the direct and indirect beneficiaries of the program and its impact on them should provide a basis for future funding decisions.

It should be noted that the current program entails no targeting of commodities or beneficiaries. This could be changed in the future, although there is a tradeoff between targeting and disbursement rate. Nevertheless, a program incorporating appropriate incentives for users and targeting of beneficiaries should be able to be designed to meet mission goals with respect to both disbursement and development impact.

With respect to impact on the target group of smaller businesses, credit remains an important constraint. The evaluation elsewhere discusses the prospect of using the mission's local currency funded Credit Guarantee Programme to make credit available to potential CIP clients who would otherwise be unable to use the program. If successful, this would also provide goods that are additional and that are utilized specifically by firms in a high priority target group.

At this time, implementation mechanisms for the Kenya CIP are operational and functioning well, demand for the program among Kenyan importers is approximately at the anticipated level, and disbursement rates will be steady. There is reason to believe that the current level of demand could easily be maintained for several years. On the other hand, at the current rate of applications, funds will no longer be available from the FY84 and FY85 CIP's in about one year.

> **Recommendation:** In terms of the topics the team has been asked to address, it is recommended that the CIP be considered for financing in FY88 and in future years, at approximately $15 million annually. The decision should take into account the results of a study of development impact of the current CIP. If the mission decides to continue the CIP, timing will be an important consideration, so that FY88 funds can be made available to preclude or at least minimize gaps in the availability of funds, and minimize any loss in the momentum which is now established.

Although it is too soon to assess long term impact of goods imported under the CIP, a more thorough analysis of short term development impact and end use can be undertaken within the next 6 to 8 months. However, such a study should be finished in time to inform design of the FY88 structural adjustment program.

The study can address the legislative requirements for ESF commodity import programs in Africa, as set forth in the FY86 Authorization Bill. Several criteria are set forth which apply to FY86 and FY87 CIP's (see Annex F), and which are sound measures of the extent to which CIP's meet long term development needs in a country. These are:

That the imports are allocated on the basis of evaluations of the ability of likely recipients to use them in a maximally productive, employment generating and cost effective way.

That the imports are coordinated with investments in accordance with the recipient country's plans for promoting economic development.

That emphasis is placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions.

That consideration be given to historical patterns of foreign exchange uses in order to maximize the likelihood that the CIP imports are in addition to imports which would otherwise occur.

The proposed study would examine the Kenya CIP in the light of these broad criteria, but would focus on beneficiary impact. For example, the scope of work could specifically include:

Direct economic and institutional impact on importers, or firm-level impact, e.g. impact on production and output, employment, gross revenues and other firm-level economic measures.

Indirect economic impact on users of goods produced or sold by the firms participating in the CIP, whether these users are other firms involved in manufacturing, sales or service, or individual consumers. Impact can include spinoff production, employment and income-generating effects, or development of new businesses.

A social profile of ultimate beneficiaries and end-users of CIP commodities, and of the effect on their incomes.

The study should analyze what target groups exist in the private sector business community, in terms of type of firm, size of firm, geographic location of firm, and end users of its products. The study should address what constraining factors may limit participation of some groups, and how these might be overcome in order to address concerns about target groups of interest to AID (such as small enterprises or particular sectors) and types of impact sought (such as employment effects, wide dissemination of impacts, geographic spread).

Findings should be related to USAID goals and GOK development needs, and the analyst should discuss how adjustments to the program (e.g. targeting importers, limiting commodities, tying in to credit programs) would increase the CIP's contribution to development goals. In doing so, however, the analyst should consider what tradeoffs exist regarding disbursement rates, which are in themselves key to the program's economic impact.

Recommendation: That, if USAID/Kenya wishes to consider future private sector CIP's, a study of development and beneficiary impact, along the lines discussed above, be undertaken in time to inform design of the FY88 Structural Adjustment Program.

ANNEX A

KENYA'S PRIVATE SECTOR COMMODITY IMPORT PROGRAM EVALUATION SCOPE OF WORK

1. BACKGOUND:

A three person evaluation team will evaluate the Commodity Import Program (CIP) portion of AID's Structural Adjustment Program (615-0213). The team will consist of Rosalie Fanale, REDSO/ESA as team leader; David Cowles, USAID/Cairo as Commodity Management Officer and; Michael McWherter, a personal services contractor with USAID/Kenya, as banker. The team is expected to spend two to three weeks on the evaluation starting in late January 1987.

The purpose of the CIP is to provide additional balance of payments and budget support to the Government of Kenya as it continues to undertake the structural changes needed to redress the underlying problems of the economy. Fifteen million dollars was obligated for the CIP in FY'84 and a further thirteen million dollars in FY'85. All imports are to be for the private sector unless AID otherwise agrees. Counterpart Shillings resulting from the sale of commodities funded under the Grant will be used for mutually agreed development activities in both the public and private sectors. Policy measures associated with the Grant address basic development problems described in the original FY 1983 Program Assistance Approval Document (PAAD), and support conditionality established under FY 1983 and FY 1984 Structural Adjustment Program Agreements.

2. PURPOSE:

The evaluation will examine the extent to which the level and rate of disbursements of the CIP contributes to USAID/Kenya's Structural Adjustment Program's overall purpose of providing balance of payments support. It will evaluate the appropriateness of the program, i.e. was the CIP response to the balance of payments problem effective and timely. Also, the evaluation will focus on implementation arrangements and their conformance to AID regulations and guidelines. Evaluation recommendations will address ways to improve implementation arrangements, as appropriate, as well as the appropriateness of additional private sector CIP assistance.

This evaluation will also examine the CIP in terms of the extent to which the criteria, as set forth in the FY86 authorization bill for the use of FY86 and FY87 ESF funds for Commodity Import Programs, are being met.

The evaluation team will pay particular attention to the following issues and concerns:

1. What incentives and disincentives influence an importer's decision whether or not to use the CIP?

2. Did the Mission adequately market and advertise the CIP?

3. Can advertising and other procedures to locate U. S. suppliers be improved upon?

4. Can banking arrangements be improved upon?

5. Are contractual arrangements for end-use, arrival accounting, and verification of counterpart deposits adequate?

6. Is the CIP Division administering the CIP efficiently, and are there other implementation procedures which can be streamlined?

7. Should further private sector CIP assistance be provided, and if so, when and at what levels?

This evaluation will not address the conditionality which was included to achieve economic structural adjustment. This is because a team headed by Elliot Berg evaluated this aspect of the program in April 1985.

The primary point of contact for the evaluation team will be the CIP Division within the Projects Office.

The evaluation team will be responsible for conducting a formal debriefing for the Mission Director, his deputy and other interested staff before completing their work.

3. TEAM MEMBER RESPONSIBILITIES:

A. Team Leader (Rosalie Fanale)

The Team Leader will be responsible for coordinating the inputs of the team members and for preparing a final evaluation report, including a summary. The report will follow an outline agreed upon with USAID/Kenya during the first week of the evaluation.

Her additional specific responsibilities will include:

(1) assessing the adequacy of the counterpart generation reporting and follow up, as well as end-use checks, and arrival accounting. This will mean reviewing the scope of work for the Price Waterhouse Associates' (PWA) contract, as PWA is doing most of this work for USAID/Kenya. PWA's scope of work should be compared to AID Regulation 1 and Handbook 4 requirements. Interviews with PWA personnel should also be conducted.

(2) examining, in light of findings of the team, whether payment is practicable, in terms of AID guidelines and regulations, using other than letters of credit.

B. Banker (Michael McWherter)

He should interview responsible personnel at each of the seven cooperating banks to ascertain their reaction to the CIP. During these interviews he will determine the banks' credit requirements for opening letters of credit; the officials' reactions and comments on the CIP; whether or not the banks' personnel require additional training on opening CIP Letters of Credit.

His specific responsibilities will include:

(1) reviewing the files in the CIP Division for each bank's financing request.

(2) interviewing approximately six importers and potential CIP importers on their experience with the CIP, eliciting comments particularly on how difficult or easy it was to open Letters of Credit.

(3) recommending changes in credit arrangements which could be used to allow faster rates of disbursement.

(4) reviewing the selection procedures used for choosing the cooperating banks, paying particular attention to the banking fees charged by the banks' U.S. correspondents.

C. Commodity Management Officer (David Cowles)

His specific responsibilities will include:

(1) reviewing periodic reports available in the computerized Commodity Tracking System and recommend changes, if necessary.

(2) interviewing several importers and potential CIP importers on their experience with the CIP, eliciting comments on their experience with the CIP, and recommendations for changes. The interviews should be conducted using a form agreed upon with USAID/Kenya within the first three days of his arrival. Particular attention should be paid to establishing which incentive(s) or disincentives were responsible for the importers' decision on whether or not to participate in the CIP; whether or not the information available for importers on use of the CIP is as clear, simple, and straight forward as possible; and if importers understand how to use the CIP.

(3) comparing the CIP import projections anticipated in the Tribble report prepared in anticipation of the CIP, with actual CIP disbursements and comment on the differences.

(4) reviewing advertising conducted by AID's Office of Small and Disadvantaged Business Utilization. This will require ascertaining the time from when USAID/Kenya requested advertisement of a particular requirement until the requirement was advertised, and the time from then until offers were received. It will require interviewing at least eight potential importers to find out why they did or did not locate useful suppliers this way.

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ANNEX B

Persons Contacted

USAID/Kenya

Steven Sinding, Director
Larry Hausman, Deputy Director
Stephen Klaus, CIP Office
Annie Lutton, CIP Office
Gordon Bertolin, Projects Office
Douglas Kline, Projects Office
Peter Leifert, Projects Office (Private Sector)
Kiertisak Toh, Program Office (Economist)
Nick Mariani, Program Office

U.S. Embassy/Nairobi

James Wilson, Commercial Attache

Government of Kenya

Central Bank of Kenya: Mr. Komora, Head of Audit
Ministry of Commerce: Mr. Wanyandeh, Assistant Director of Trade

Commercial Banks

Commercial Bank of Africa:	Nelson S.M. Mainnah
	Ed Silva
	Sulleman Kamolleh
Barclay's:	Harjit Singh
	Ian Simpson
	Graham Poynton
Citibank:	Aziz Rajkotwala
	John Ngumi
	Mohmud Mohamed
Kenya Commercial Bank:	Mr. Muiruri
	Joseph Kakai
	Tobias Ongalo
Bank of Credit and Commerce:	Mustafa Peerzada
First American:	Steve Liggins
	Margaret Waichari
	Ray Muriuki
Grindlay's:	I. G. McIntosh

Other

Price Waterhouse Associates	Steve Mallard
Thunder and Associates	Thomas Carouso

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QUESTIONNAIRE

FOR

PRIVATE SECTOR FIRMS

WHICH HAVE UTILIZED

KENYA COMMODITY IMPORT PROGRAM

I. Firm
   A. Name
   B. Address

   C. Telephone No.
   D. Type of Business

II Program Usage

   A. How many times has firm used Program? --------

   B. For Each Transaction:

	SITC No	Commodity Description	Value
1.			
2.			
3.			
4.			
5.			
6.			
7.			

TOTAL VALUE

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III Interview Schedule

A. Date of Initial Contact with Firm ____________________

B. Arranged by ____________________

C. Person who will represent firm
   1. Name
   2. Title

D. Schedule
   1. Date   Time
   2. Address

E. Interview Conducted By:

IV OPENING REMARKS

Thank you for your time and cooperation in talking with me today. Your assistance and views are very important to us.

The purpose of my questions is to learn more about the nearly 100 private sector firms that have utilized the Commodity Import Program.

We obviously can't visit all 100 firms, so we selected a small sample of companies that will represent all 100. Your firm is in this sample. The information you provide is very important and will be used to help modify and improve the program.

Several of my questions will touch on the Commodity Import Program, many of the questions deal more generally with your firm.... for example, what you produce/sell/the size of your firm and what you import.

We also want to see if we are asking the correct questions and if it is easy to understand them.

Let me emphasize that the information you provide me will be kept strictly confidential. It will be included with similar information provided by other companies so that we come up with a "statistical profile." We will not report on individual firms.

I anticipate it will take about 20 minutes to complete our interview.

V Background on Firm

Please permit me to ask some general questions about your firm.

A. What exactly does the firm make/sell/grow?

B. In what year was firm established? ____________

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C. Which of the following type of organization best describes the ownership form of firm:

1. -------- sole proprietorship (check one only)

2. -------- family firm

3. -------- partnership

4. -------- independent corporation

5. -------- subsidiary of another corporation

If No. 5 checked, please specify parent company

D. Did your firm have any exports during past year?

1. ------ Yes 2.------ No

E. How many employees does your firm currently have.? Employment means full time employees and part time employees converted as best you can to a full-time yearly equivalent. -----------------

F. This question is optional and you need not anwer. What is your best estimate of gross sales or revenue for the past year? ---------

VI Imports, FX, and Credit

A. What is estimated value of your total import needs per year? ----------

B. What kinds of things did you import?

1. Raw materials:

2. Equipment:

C. Do you normally use Letter of Credit payment procedures?

1. _______ Yes   2. _______ No

If no, how is payment affected

D. Who do you import from (check most appropriate one)

1. _____ Firm which you have a special relationship with, i.e. firms for which you are an agent/distributor/subsidiary

2. _____ traditional sources of supply, based on preference for brandname or longstanding relationship

3. _____ firms which have best price based on wide spread solicitation of offers

E. Not including commodities financed under the CIP, what percent of your total import requirement is sourced from the U.S.? _____________

F. How do you usually pay for the FX required for your imports? Do you usually: (Check one)

1. _________ rely on supplier credit

2. _________ take out a loan from a local bank

3. _________ rely on other sources. Please explain

VII CIP Transactions

I would now like to ask you some questions about the commodities you imported under the program.

A. If your firm had been unable to get funds under the CIP, would you have most likely:

1. _______ immediately met your needs in some other way

2. _______ probably met needs in another way, but it would have taken longer

3. _______ most likely not proceeded with procurement

B. What effect did the goods you imported under the CIP have on your firm with respect to the following:

	increase	decrease	maintain existing levels	no effect
1. employment				
2. sales/revenue				
For manufacturers only				
3. Productive capacity				
4. Operating costs				

C. What are the attractive features of the CIP which appeal to your firm? (check as many as apply)

1. ___________ provided grace period before payment due

2. ___________ provided hedge against FX fluctuation

3. ___________ made it easier to obtain import permit

4. ___________ reduced license application fee since no inspection was required

5. ___________ other; please specify

E. What are disadvantages of CIP? (Check as many as apply)

1. _________ procedures unclear

2. _________ requirement for competition difficult to meet

3. _________ US products too expensive

4. _________ difficult to locate U.S. suppliers

5. _________ reluctance of U.S. Suppliers to meet A.I.D. documentation requirements

6. _________ delays in shipping from U.S.

7. _________ poor quality of U.S. goods

8. _________ difficulty/delays in using letter of credit payment procedures

9. _________ no or poor after sales service for U.S. products

10. ________ expense of shipping on U.S. Flag Vessels

11. ________ requirement to visit AID office

12. ________ other please specify

F. Did you experience any difficulty in getting credit terms from Bank?

1. _______ Yes 2. _______ No

If Yes, please elaborate

G. What credit terms did you obtain?

grace period ______________________________________

interest rate ______________________________________

maturity ______________________________________

H. Do you plan to use the CIP again?

1. Yes _______ 2. No ________

If no, please explain primary reason

I. How would you improve CIP process?

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QUESTIONNAIRE
FOR
PRIVATE SECTOR FIRMS
WHICH HAVE NOT UTILIZED
KENYA COMMODITY IMPORT PROGRAM

I. Firm
   A. Name
   B. Address

   C. Telephone No.
   D. Type of Business

II. Opening Statement

Good day. My name is ______________________ and I am with the U.S. Agency for International Development. We are conducting a telephone survey of firms which have not utilized USAID's Commodity Import Program. This program as you may know makes Foreign Exchange available to private firms to import goods and equipment from the United States. We would like to ask you a few questions about your firm in general and about our program. We estimate it will take about 5 minutes to answer all questions. Responses will be kept strictly confidential and will only be used in conjunction with responses from other firms to draw generalization regarding the program. If you are willing to participate, may we conduct the interview now or would it be more convenient to call back later?

If later, set time and date.

____

If unwilling to be interviewed at all please note.

III Interview

A. Time and Date of call ______________________

B. Person Interviewed

   1. Name ______________

   2. Title _____________

C. Interviewed By _____________

IV Background on Firm

A. What exactly does your firm make/sell/grow

B. Which of the following type of organization best describes the ownership form of the firm? (check only one)

1. _________ sole proprietorship

2. _________ family firm

3. _________ partnership

4. _________ independent corporation

5. _________ subsidiary of another corporation

If No. 5 checked, please specify parent company:

C. How many employees does your firm currently have? Employment means full time employees and part time employees converted as best you can to a full time yearly equivalent. _______________

D. This question is optional and you need not answer. What is your best estimate of gross sales or revenue for the past year? ________________

V Imports, FX and Credit

A. What is estimated value of your firm's total import requirement per year ________________________

B. What kinds of things do you import

1. Raw materials:

2. Equipment machinery:

C. What percent of your total import requirement is met from U.S. sources? _________ %

D. Do you normally import from (check only one)

1. ________ firms which you have a special relationship with, i.e. firms for which you are an agent/distributor/subsidiary,

2. ________ traditional source of supply, based on preference for brand name or long standing relationship

3. ________ firms which offer best price based on widespread solicitation of offers

VI CIP

A. Have you heard about the CIP whereby USAID makes foreign exchange available to private sector importers to purchase goods/equipment from the U.S.

1. ______ Yes   2. _____ No

If no, terminate interview offer to send information.

If yes, continue.

B. Can you tell me which of the following factors affected your decision not to utilize funds under the CIP. Check any which apply specifically to your firm

1. ______ benefits of using program are unclear

2. ______ procedures are unclear

3. ______ commodity not ineligible for AID financing

4. ______ commodity not available from U.S.

5. ______ AID procedures difficult to meet

6. ______ U.S. products too expensive

7. ______ difficult to locate U.S. suppliers

8. ______ delays in shipping from U.S.

7. ______ cost of shipping from U.S.

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10.______ poor quality of U.S. goods

11.______ no or poor after sales service for U.S. products

12.______ difficulty or expense of using Letter of Credit payment procedures

13.______ minimum transaction size too large

14.______ other; please specify

C. If you listed more than one reason, can you identify the one reason which is most important:

Thank you very much for your cooperation

ANNEX C.3.

PIB QUESTIONNAIRE

Firm Name   Date

1. Why did your firm decide to advertise in the U.S.?

2. How many offers did you receive in response to the advertisement? ---------------------

3. Approximately how long did it take to receive offers? --------------------

4. Did you purchase, or are you now planning to purchase from any of the U.S. suppliers who sent offers in response to the advertisement?

   Yes ---------   No ----------

5. Was the advertising process helpful to you?

   Yes ---------   No --------

   If no, please elaborate:

FOR MISSION USE

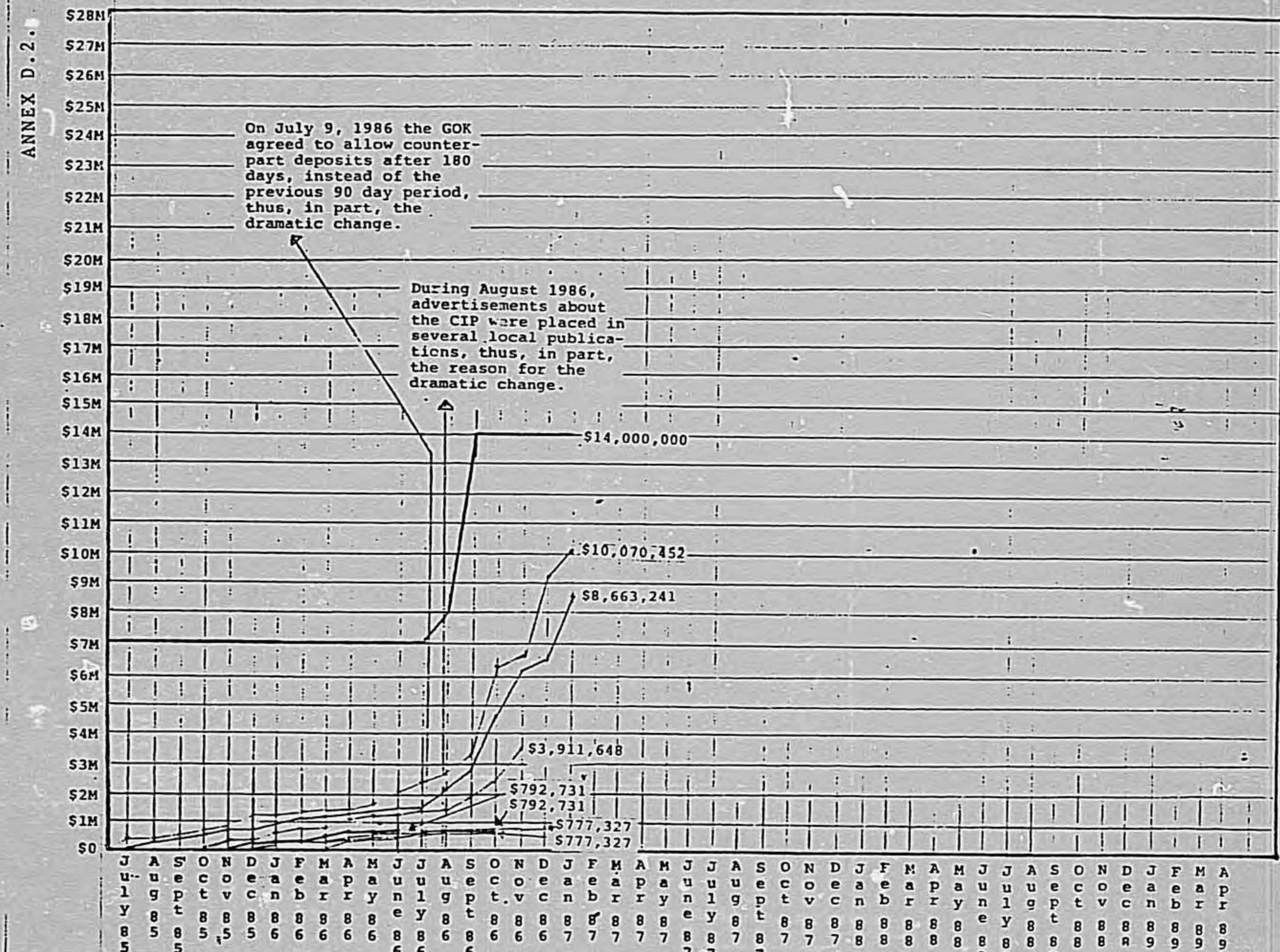
Date advertisement requested -------------------------

Date advertisement published --------------------------

Number of days ------------------------

ANNEX D.2.

FISCAL YEARS 1984 and 1985 USAID/Kenya's COMMODITY IMPORT PROGRAM
Currency and Commodity Flows



$14.0 Financing Requests Rec'd $10.07 Application Rec'd $8.66M Import Licenses GOK Approved $3.91M Letters of Credit Opened
$0.79 Goods Shipped from U.S. $0.78 Disbursements [illegible] Goods Cleared Kenya Customs [illegible] Local Currency Deposits in Equiv. Dollars

Note: These only represent data available to USAID. It is likely that more letters of credit, for example, have been opened than have been reported to USAID. This merely represents a statistical lag.

ANNEX D.1.

FY '84 AND '85 COMMODITY IMPORT PROGRAM FLOWS

MONTH	AID ELIGIBLE MONTHLY	AID ELIGIBLE CUMULATIVE	NO.	GOK APPROVED MONTHLY	GOK APPROVED CUMULATIVE	NO.
1	$0.00	$0.00	0			
2	$380,811.18	$380,811.18	10			
3	$0.00	$380,811.18	0	$256,558.36	$256,558.36	8
4	$23,198.65	$404,009.83	2	$23,198.65	$279,757.01	2
5	$356,270.36	$760,280.19	2	$345,000.00	$624,757.01	1
6	$40,998.76	$801,278.95	3	$73,363.76	$698,120.77	2
7	$403,509.76	$1,204,788.71	8	$0.00	$698,120.77	0
8	$0.00	$1,204,788.71	0	$255,815.80	$953,936.57	7
9	$51,273.85	$1,256,062.56	2	$228,967.58	$1,182,904.15	4
10	$97,592.60	$1,353,655.16	3	$13,113.05	$1,196,017.20	1
11	$68,389.37	$1,422,044.53	4	$111,563.94	$1,307,581.14	3
12	$330,300.24	$1,752,344.77	12	$122,597.59	$1,430,178.73	6
13	$344,001.11	$2,096,345.88	11	$131,108.75	$1,561,287.48	5
14	$319,713.19	$2,416,059.07	16	$0.00	$1,561,287.48	0
15	$282,003.39	$2,698,062.46	4	$668,250.96	$2,229,538.44	27
16	$596,891.33	$3,294,953.79	13	$770,440.29	$2,999,978.73	11
17	$3,043,442.60	$6,338,396.39	30	$1,860,418.15	$4,860,396.88	29
18	$298,830.94	$6,637,227.33	8	$1,361,166.03	$6,221,562.91	9
19	$2,551,003.24	$9,188,230.57	16	$219,368.53	$6,440,931.44	4
20	$882,221.23	$10,070,451.80	24	$2,222,309.56	$8,663,241.00	22
			168			141
TOTALS	$10,070,451.80		168	$8,663,241.00		141

MONTH	L/CS OPENED MONTHLY	L/CS OPENED CUMULATIVE	GOODS SHIPPED MONTHLY	GOODS SHIPPED CUMULATIVE	CLEARED MOMBASA MONTHLY	CLEARED MOMBASA CUMULATIVE
1						
2						
3						
4						
5						
6	$370,035.65	$370,035.65	$23,068.83	$23,068.83		
7	$0.00	$370,035.65	$343,754.55	$366,823.38		
8	$336,375.44	$706,411.09	$0.00	$366,823.38	$343,754.55	$343,754.55
9	$104,144.72	$810,555.81	$13,345.76	$380,169.14	$23,068.83	$366,823.38
10	$15,404.30	$825,960.11	$157,760.01	$537,929.15	$0.00	$366,823.38
11	$301,749.62	$1,127,709.73	$181,670.79	$719,599.94	$70,553.33	$445,376.71
12	$178,297.61	$1,306,007.34	$0.00	$719,599.94	$166,073.66	$611,450.37
13	$13,680.00	$1,319,687.34	$73,131.05	$792,730.99	$121,262.62	$732,712.99
14	$94,866.75	$1,414,554.09	$0.00	$792,730.99	$0.00	$732,712.99
15	$58,802.00	$1,473,356.09	$0.00	$792,730.99	$0.00	$732,712.99
16	$403,909.12	$1,923,246.48	$0.00	$792,730.99	$60,018.00	$792,730.99
17	$449,890.39	$2,464,000.30	$0.00	$792,730.99	$0.00	$792,730.99
18	$540,753.82	$3,507,738.94		$792,730.99		$792,730.99
19	$1,043,738.64	$3,507,738.94		$792,730.79		$792,730.99
20	$0.00	$3,507,738.94		$792,730.99		$792,730.99
TOTALS	$3,911,648.06		$792,730.99		$792,730.99	

MONTH	DISBURSEMENTS* MONTHLY	DISBURSEMENTS* CUMULATIVE	COUNTERPART DEPOSITS MONTHLY	COUNTERPART DEPOSITS CUMULATIVE
7	$0.00	$0.00		
8	$343,754.55	$343,754.55		
9	$23,068.83	$366,823.38		
10	$0.00	$366,823.38	$0.00	$0.00
11	$322,189.50	$689,012.88	$343,754.55	$343,754.55
12	$1,837.00	$690,849.88	$23,068.83	$366,823.38
13	$13,113.05	$703,962.93	$0.00	$366,823.38
14	$0.00	$703,962.93	$322,189.50	$689,012.88
15	$0.00	$703,962.93	$1,837.00	$690,849.88
16	$73,363.76	$777,326.69	$13,113.05	$703,962.93
17		$777,326.69	$0.00	$703,962.93
18		$777,326.69	$0.00	$703,962.93
19		$777,326.69	$73,363.76	$777,326.69
20		$777,326.69		$777,326.69
TOTALS	$777,326.69		$777,326.69	

NOTE: MONTH 1 IS JUNE 1985

*THE DISBURSEMENT FIGURE DOES NOT INCLUDE DISBURSEMENTS OF 111,254.59 ~~*******~~ MADE FOR BANKING CHARGES.

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SUGGESTIONS FOR MODIFYING COMPUTERIZED CIP TRACKING SYSTEM

I. New Data Fields

A. Record Number - Number assigned to all transactions which come to USAID for review. Numbers are assigned to transactions as they are received, 1, 2, 3, etc.

B. Status - each transaction is assigned a status code to signify progress as follows:

0. transaction submitted to USAID for review and preliminary approval

1 transaction forwarded to GOK

2. approval received from GOK

3. L/C issued

4. goods have been shipped

5. goods have cleared customs

6. transaction cancelled

7. transaction rejected by GOK

C. Letter of Credit Expiry Date

D. Value of Letter of Credit

E. Value of Shipping Document

II. New Reports

A. Summary Report

1. List all transactions received LOP. Show record number, status, importer and value. Sort by status, 0-7. Subtotal numer and value under each status code, i.e. number and value of transactions with current status 0, status 1, through status 7.

B. Management Reports

1. Applications currently pending at GOK, i.e. status 1. Show record number, importer, value, application date. Sort by application date showing oldest first.

2. Applications approved but L/C not yet issued, i.e. status 2. Show record number, import license number, importer, value, FEAL date, bank. Sort by Feal date showing oldest first.

3. Applications where L/C is issued but shipment has not taken place, i.e. status 3. Show record number, importer, value, import license, L/C date. Sort by L/C date showing oldest first.

C. Accrual Report - Include all transactions with status 3, 4 or 5. Show L/C value. Include only transactions where L/C expiry date is less or equal to current date. Show total value. This report will show the value LOP of all L/Cs issued which have expired. This figure represents total acrrued expenditures LOP.

D. Shipping and L/C Report - Include all transactions with status 3, 4 or 5. Show record number, importer, bank, transaction value, L/C value, and shipping value. Create two new fields:

1. transaction value minus L/C value.

2. L/C value minus shipping value.

Report should list only those transactions where one or both new fields do not equal O. Sort by FEAL date, showing oldest first. This report will highlight transactions where the L/C value is different than the approved amount and/or where the shipping amount is different than the L/C amount. It will also show transactions where the L/C and/or shipping documents have not been received. It will identify transactions which may require follow-up with the importer or the bank to get documents or resolve discrepancies. It will show transactions where the L/C value exceeds what was approved or where shipping amounts exceed L/C value.

E. Balance Report - show value of L/COM for each bank and total value of all approvals, status 2, 3, 4 or 5 by bank. Create new field, commitment amount minus value of all approvals of the specific bank. This will give the balance available for utilization for each cooperating bank.

F. There are a variety of reports which show activity during a specific month, i.e. GOK approvals, L/Cs opened, goods shipped, and disbursements. New reports should be created to show total LOP figures for these fields including both number and value of transactions.

III. Discussion

It should be emphasized that the modifications outlined above are suggestions. The utility of the new reports, which require the creation of 5 new data fields, has been demonstrated in Egypt. However, the CIP office in Kenya should closely examine the proposed changes to ensure they meet the needs of the Kenya program. Perhaps alternatives to the suggestions outlined above can be developed. However, it is strongly suggested that some method of identifying discrepancies in the value of GOK approvals, L/Cs, and shipping amounts be established. Also, the need for LOP totals for both value and number of transactions at different stages of processing is clear.

DAYS TO OPEN L/C, BY BANK

L/Com	No.	Appl. Date	App. Date	Days	L/C Date	Days
01*	1	9/11/85	9/17/85	6	11/1/85	45
	2	9/11/85	9/17/85	6	11/1/85	45
	3	11/7/85	11/18/85	11	1/24/86	67
	4	3/4/86	5/15/86	72	6/16/86	32
	5	7/28/86	8/26/86	29	9/23/86	28
				---		---
				124		217
04	1	10/8/85	10/16/85	8	11/25/85	40
	2	6/25/86	8/19/86	55	9/11/86	23
	3	6/25/86	8/19/86	55	9/11/86	23
	4	6/25/86	8/19/86	55	9/11/86	23
	5	6/25/86	8/19/86	55	9/11/86	23
	6	2/14/86	3/13/86	27	5/20/86	68
	7	8/20/86	9/2/86	13	10/14/86	42
	8	9/19/86	9/30/86	11	10/24/86	24
				---		---
				279		266
05	1	7/12/85	8/28/85	47	1/27/86	152
	2	7/12/85	11/10/85	121	2/3/86	85
	3	7/12/85	2/21/86	224	5/20/86	88
	4	11/25/85	1/13/86	49	2/13/86	31
	5	2/14/86	4/16/86	61	5/2/86	16
	6	12/20/85	2/12/86	54	4/23/86	70
	7	12/20/85	2/12/86	54	3/26/86	42
	8	3/13/86	4/8/86	26	5/2/86	24
	9	5/25/86	6/29/86	35	8/15/86	47
	10	4/22/86	5/25/86	33	6/20/86	26
	11	5/26/86	6/13/86	18	7/11/86	28
	12	5/26/86	6/13/86	18	7/11/86	28
	13	5/26/86	6/13/86	18	7/10/86	27
	14	5/26/86	8/19/86	85	8/29/86	10
	15	6/30/86	8/19/86	50	12/23/86	126
	16	7/30/86	8/27/86	28	10/21/86	55
	17	7/30/86	8/28/86	29	10/21/86	54
	18	7/3/86	9/2/86	61	10/21/86	49
	19	7/27/86	8/26/86	30	10/30/86	65
	20	7/27/86	8/26/86	30	10/30/86	65
	21	7/27/86	8/26/86	30	10/30/86	65
	22	7/27/86	8/26/86	30	10/30/86	65
	23	9/25/86	10/2/86	7	11/5/86	34
	24	9/26/86	10/2/86	6	11/13/86	42
				-----		-----
				1,144		1,294

06	1	7/22/85	8/22/85	31	11/29/85	99
	2	12/3/85	11/13/86	40	1/24/86	11
	3	12/3/85	1/20/86	48	2/17/86	28
	4	12/3/85	1/13/86	41	1/24/86	11
	5	12/3/85	1/20/86	48	2/17/86	28
	6	6/25/86	8/19/86	55	9/11/86	23
	7	5/13/86	5/27/86	14	10/23/86	149
	8	6/30/86	8/19/86	49	9/23/86	35
	9	7/27/86	8/26/86	30	9/17/86	22
	10	9/19/86	10/02/86	13	11/28/86	57
				----		----
				369		463
07	1	7/12/85	8/19/85	38	1/24/86	158
	2	7/12/85	8/19/85	38	1/24/86	158
	3	7/12/85	8/19/85	38	1/24/86	158
	4	7/14/85	8/19/85	36	1/24/86	158
	5	7/12/85	8/22/85	41	1/24/86	155
	6	7/12/85	8/19/85	38	1/24/86	158
	7	12/9/85	2/17/86	70	4/14/86	56
	8	12/9/85	1/13/86	35	4/14/86	91
	9	7/12/85	8/19/85	38	1/24/86	158
	10	3/18/86	4/10/86	23	5/21/86	41
	11	4/29/86	5/26/86	27	11/12/86	170
	12	5/2/86	8/19/86	109	9/15/86	27
	13	5/2/86	8/19/86	109	9/15/86	27
	14	5/15/86	5/27/86	12	9/10/86	106
	15	5/22/86	8/19/86	89	11/12/86	85
	16	6/25/86	8/19/86	55	12/11/86	114
	17	8/21/86	9/24/86	34	11/17/86	54
	18	8/27/86	9/16/86	20	9/30/86	14
	19	8/27/86	9/16/86	20	9/30/86	14
	20	9/5/86	9/16/86	11	10/10/86	24
	21	9/24/86	10/2/86	8	12/8/86	67
	22	10/2/86	10/14/86	12	11/5/86	22
	23	10/9/86	11/14/86	36	12/3/86	19
	24	10/14/86	11/11/86	28	11/27/86	16
	25	10/14/86	11/11/86	28	11/27/86	16
				----		-----
				993		2,066
				=====		=====
				2,909	72=40.4	4,306 72=59.8

Code: L/COM - 01 = Kenya Commercial Bank
04 = Citibank
05 = Barclay's
06 = Commercial Bank of Africa
07 = Standard Cha tered

ANNEX E

The Firm

What does the firm make/sell/grow?

Manufacturers: 4
Sales/Service: 7 (one does both)

When was firm established?

1936
1960
1950
1966
1981
1981
1985
1970
1955
1985

Ownership form of firm?

Corporation: 6
Subsidiary: 3
Partnership: 1

Any exports during past year?

Yes: 6
No: 4

How many employees does firm have?

Less than 10: 1
10-100: 4
101-500: 2
more than 500: 3

Estimate gross sales or revenue for past year?

less than .5 million KShs: 0
.5 - 2.5 million KShs: 3
2.5 - 10.0 million KShs: 1
more than 10.0 million KShs: 4
no response: 2

Estimated value of total import needs per year?

(1) KShs 100 million
(2) $3.0 million
(3) KShs 20 million
(4) KShs 10 million
(5) KShs 2 million
(6) $200,000
(7) $250,000
(8) Kshs 20 million
(9) $800,000
(10) KSh 1.0 million

What do you import

Raw Materials:	5
Equipment:	9

Normally use Letter of Credit procedures?

Yes	4
No	4
Sometimes	2

Who do you import from?

Firm with which special relationship:	6
Traditional sources of supply:	1
Best price firm based on solicitation:	3

What percent total imports sourced U.S.?

(1) 5%	(6) 0%
(2) 0%	(7) 85%
(3) 20%	(8) 50%
(4) 80%	(9) 100%
(5) 0%	(10) 50%

How do you usually pay for FX required for your imports?

Supplier Credit:	1
Bank Credit:	8
Cash:	1

CIP Transactions

If unable to get funds under CIP, would you have

- immediately met needs some other way:	3
- probably met needs some other way, but it would have taken longer:	7
- most likely not proceeded with procurement:	0

Effect on Firm of CIP Transactions

	Increase	Decrease	Maintain Existing Levels	No Effect
Employment	4		1	5
Sales/Revenue	8			2
Productive Capacity	4			
Opening Costs		4		

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Difficulty in getting credit?

Yes	5
No	4

Credit Firms

Down Payment: 1

Grace Period: 180 days: 6
NONE: 3
OTHER: 1 (180 DAYS for 50% down)

Use of Overdraft: 3

Plan to use CIP again?

Yes:	10
No:	0

What are the attractive features of the CIP which appeal to your firm? (Check as many as apply)

1. 6* provided grace period before payment due
2. 5 provided hedge against FX fluctuation
3. 10 made it easier to obtain import permit
4. 8 reduced license application fee since no inspection was required
5. 3 other; please specify (access to U.S. supplier)

What are disadvantages of CIP? (check as many as apply)

1. 5* procedures unclear
2. 0 requirement for competition difficult to meet
3. 1 U.S. products too expensive
4. 0 difficult to locate U.S. suppliers
5. 3 reluctance of U.S. suppliers to meet A.I.D. documentation requirements
6. 5 delays in shipping from U.S.
7. 0 poor quality of U.S. goods

8. __2__ difficulty/delays in using Letter of Credit payment procedures

9. __0__ no or poor after sales service for U.S. products

10. __5__ expense of shipping on U.S. Flag Vessels

11. __0__ requirement to visit AID office

12. __1__ other please specify
(Bank unclear about procedures)

* Shows number of replies

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Annex F

ACTION: PPD
INFO: all

ACTION: AID INFO: AMB/DCM CHRON

Q BYVZCZCMB0623
RR RUEHMB
DE RUEHC #5176/01 3331842
ZNR UUUUU ZZH
R 291838Z NOV 85 ZEX
FM SECSTATE WASHDC
TO USAID MISSIONS IN AFRICA
BT
UNCLAS STATE 365176

LOC: 266 092
30 NOV 85 1848
CN: 17806
CHRG: AID
DIST: AID

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: : SPECIAL LEGISLATIVE REQUIREMENTS FOR ESF COMMODITY IMPORT AND SECTOR PROGRAMS

1. THE FY 86 AUTHORIZATION BILL INCLUDES SPECIAL PROVISIONS ON THE USE OF FY 86 AND FY 87 ESF TO FINANCE IMPORTS UNDER THE COMMODITY IMPORT PROGRAM (CIP) OR SECTOR PROGRAMS IN AFRICA. THE PURPOSE OF THIS CABLE IS TO NOTIFY MISSIONS FORMALLY OF THESE NEW REQUIREMENTS AND TO PROVIDE GUIDANCE ON HOW BEST TO COMPLY WITH THEM.

2. SECTION 801 BALANCE OF PAYMENTS SUPPORT FOR COUNTRIES IN AFRICA IS QUOTED BELOW IN ITS ENTIRETY: QUOTE

(A) QUOTE. ESF COMMODITY IMPORT AND SECTOR PROGRAMS. -- AGREEMENTS WITH COUNTRIES IN AFRICA WHICH PROVIDE FOR THE USE OF FUNDS MADE AVAILABLE TO CARRY OUT CHAPTER 4 OF PART II OF THE FOREIGN ASSISTANCE ACT OF 1961 FOR THE FISCAL YEARS 1986 AND 1987 TO FINANCE IMPORTS BY THOSE

COUNTRIES (UNDERS COMMODITY IMPORT PROGRAMS OR SECTOR PROGRAMS) SHALL REQUIRE THAT THOSE IMPORTS BE USED TO MEET LONG-TERM DEVELOPMENT NEEDS IN THOSE COUNTRIES IN ACCORDANCE WITH THE FOLLOWING CRITERIA:

(1) SPARE PARTS AND OTHER IMPORTS SHALL BE ALLOCATED ON THE BASIS OF EVALUATIONS, BY THE AGENCY PRIMARILY RESPONSIBLE FOR ADMINISTERING PART I OF THAT ACT, OF THE ABILITY OF LIKELY RECIPIENTS TO USE SUCH SPARE PARTS AND IMPORTS IN A MAXIMALLY PRODUCTIVE, EMPLOYMENT GENERATING, AND COST EFFECTIVE WAY.

(2) IMPORTS SHALL BE COORDINATED WITH INVESTMENTS IN ACCORDANCE WITH THE RECIPIENT COUNTRY'S PLANS FOR PROMOTING ECONOMIC DEVELOPMENT. THE AGENCY PRIMARILY RESPONSIBLE FOR ADMINISTERING PART I OF THAT ACT SHALL ASSESS SUCH PLANS TO DETERMINE WHETHER THEY WILL EFFECTIVELY PROMOTE ECONOMIC DEVELOPMENT.

(3) EMPHASIS SHALL BE PLACED ON IMPORTS FOR AGRICULTURAL ACTIVITIES WHICH WILL EXPAND AGRICULTURAL PRODUCTION,

	Action	Info
DIR		
DD		
PPD	✓	
APC		
[illegible]		
RLA		
RHDO		
[illegible]		
[illegible]		
IDI		
[illegible]		
[illegible]		
CHRON		
RF		

Reply Due 12/6
Action Taken
Date
File

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EFORT OR ~~TO REDUCE~~ RELIANCE ON IMPORTED AGRICULTURAL PRODUCTS.

(4) EMPHASIS SHALL ALSO BE PLACED ON A DISTRIBUTION OF IMPORTS HAVING A BROAD DEVELOPMENT IMPACT IN TERMS OF ECONOMIC SECTORS AND GEOGRAPHIC REGIONS.

(5) IN ORDER TO MAXIMIZE THE LIKELIHOOD THAT THE IMPORTS FINANCED BY THE UNITED STATES UNDER SUCH CHAPTER ARE IN ADDITION TO IMPORTS WHICH WOULD OTHERWISE OCCUR, CONSIDERATION SHALL BE GIVEN TO HISTORICAL PATTERNS OF FOREIGN EXCHANGE USES.

(6)(A) FOREIGN CURRENCIES GENERATED BY THE SALE OF SUCH IMPORTS BY THE GOVERNMENT OF THE COUNTRY SHALL BE DEPOSITED IN A SPECIAL ACCOUNT ESTABLISHED BY THAT GOVERNMENT AND, EXCEPT AS PROVIDED IN SUBPARAGRAPH (B), SHALL BE AVAILABLE ONLY FOR USE IN ACCORDANCE WITH THE AGREEMENT FOR ECONOMIC DEVELOPMENT ACTIVITIES WHICH ARE CONSISTENT WITH THE POLICY DIRECTIONS OF SECTION 102 OF THE FOREIGN ASSISTANCE ACT OF 1961 AND WHICH ARE THE TYPES OF ACTIVITIES FOR WHICH ASSISTANCE MAY BE PROVIDED UNDER SECTIONS 103 THROUGH 106 OF THAT ACT.

(B) THE AGREEMENT SHALL REQUIRE THAT THE GOVERNMENT OF THE COUNTRY MAKE AVAILABLE TO THE UNITED STATES GOVERNMENT SUCH PORTION OF THE AMOUNT DEPOSITED IN THE SPECIAL ACCOUNT AS MAY BE DETERMINED BY THE PRESIDENT TO BE NECESSARY FOR REQUIREMENTS OF THE UNITED STATES GOVERNMENT.

(E) ANNUAL EVALUATIONS. THE AGENCY PRIMARILY RESPONSIBLE FOR ADMINISTERING PART I OF THE FOREIGN ASSISTANCE ACT OF 1961 SHALL CONDUCT ANNUAL EVALUATIONS OF THE EXTENT TO WHICH THE CRITERIA SET FORTH IN THIS SUBSECTION HAVE BEEN MET. END QUOTE.

3. IN STIPULATING THESE CRITERIA, THE HOUSE FOREIGN AFFAIRS COMMITTEE RECOGNIZED THAT AID WOULD NEED FLEXIBILITY IN APPLYING THE CRITERIA. TO QUOTE FROM THE COMMITTEE REPORT: QUOTE. IT IS THE INTENTION OF THE COMMITTEE THAT AID HAVE SUFFICIENT FLEXIBILITY TO APPLY THE CRITERIA TO DIVERSE LOCAL SITUATIONS WITH A MINIMUM OF BUREAUCRATIC IMPEDIMENTS. IT IS FOR THIS REASON THAT LANGUAGE SUCH AS 'EMPHASIS SHALL BE PLACED,' 'CONSIDERATION SHALL BE GIVEN,' 'TYPES OF ACTIVITIES' AND 'LIKELY RECIPIENTS' HAS BEEN EMPLOYED. FOR EXAMPLE, AID DOES NOT HAVE TO EVALUATE EACH AND EVERY RECIPIENT OF IMPORTS TO MAKE SURE THEY WILL BE USED PRODUCTIVELY, BUT ONLY GROUPS OR CATEGORIES OF 'LIKELY RECIPIENTS.' AS A FURTHER ILLUSTRATION OF THE AMOUNT OF FLEXIBILITY THE

OMMITTEE INTENDS TO PROVIDE, THE PHRASE 'IMPORTS FOR AGRICULTURAL ACTIVITIES WHICH WILL EXPAND PRODUCTION' COULD INCLUDE IMPORTS OF CONSUMER GOODS FOR FARMERS IN MOZAMBIQUE WHO, ON ACCOUNT OF THE COLLAPSE OF THE RURAL TRADING NETWORK, HAVE LITTLE INCENTIVE TO PRODUCE FOR THE MARKET SINCE THEY CAN BUY LITTLE WITH THEIR REVENUES. HOWEVER, ABSENT SUCH SPECIFIC CIRCUMSTANCES IN THE AGRICULTURAL SECTOR, SUCH IMPORTS WOULD NOT BE EMPHASIZED. END QUOTE.

4. ALTHOUGH THE COMMITTEE DOES NOT VIEW THE CRITERIA AS IRON-CLAD MAXIMS, AID WILL NEED TO TAKE ACCOUNT OF ALL OF THEM IN EACH FY 86 AND FY 87 ESF FUNDED CIP, OR SECTOR PROGRAM WHICH FINANCES COMMODITY IMPORTS, SUCH AS THE MADAGASCAR AGRICULTURE REHABILITATION SUPPORT (MARS IA) PROGRAM (HALF OF WHICH IS COMMODITY IMPORTS). THEREFORE, WE SUGGEST THAT EACH PAAD INCLUDE A SECTION ON LEGISLATIVE CRITERIA. THIS SECTION WOULD RELATE BACK TO

THE ECONOMIC ANALYSIS AND IDENTIFY THOSE CRITERIA WHICH ARE RELEVANT GIVEN THE CONSTRAINTS THE PROGRAM IS DESIGNED TO OVERCOME AND THE OVERALL OBJECTIVES OF THE PROGRAM. WHILE ALL CRITERIA MUST BE CONSIDERED, IT MAY NOT BE POSSIBLE TO APPLY ALL OF THEM AT THE SAME TIME IN THE SAME PROGRAM. IDENTIFY THOSE WHICH ARE KEY AND EXPLAIN HOW THEY WILL BE APPLIED. THE UNDERLYING PRINCIPLE OF THE CRITERIA IS TO MAXIMIZE THE PRODUCTIVE USE AND THE DEVELOPMENTAL IMPACT OF CIPS.

5. THE PROVISION ALSO REQUIRES THAT 75 PERCENT OF LOCAL CURRENCY GENERATIONS BE DEPOSITED IN A SPECIAL ACCOUNT AND USED FOR DEVELOPMENT ACTIVITIES CONSISTENT WITH SECTIONS 102-106 OF THE FAA, EXCEPT THAT THE U.S. MAY REQUIRE A PORTION OF THE AMOUNT DEPOSITED IN THE SPECIAL ACCOUNT BE MADE AVAILABLE FOR THE REQUIREMENTS OF THE U.S. GOVERNMENT (I.E., OPERATING EXPENSES). AA/AFR HAS DETERMINED IN PRINCIPLE THAT THE HOST GOVERNMENT MUST MAKE A REASONABLE AMOUNT OF SUCH LOCAL CURRENCIES AVAILABLE TO THE U.S.G. UNDER EACH PROGRAM AGREEMENT. SEPARATE GUIDANCE WILL FOLLOW ON HOW THIS PROVISION IS TO BE IMPLEMENTED.

6. THE AUTHORIZATION BILL ALSO CALLS FOR ANNUAL EVALUATIONS OF THE EXTENT TO WHICH THE NEW CRITERIA HAVE BEEN MET. SINCE THE CRITERIA ARE NEW, THE FIRST EVALUATION WILL NOT BE REQUIRED UNTIL LATE FY 86 OR EARLY FY 87, I.E., IMMEDIATELY PRIOR TO DESIGN OF ANY FY 87 CIP. NONETHELESS, TO THE EXTENT POSSIBLE WE ENCOURAGE ALL MISSIONS PLANNING FY 86 CIPS (OR CIP-LIKE SECTOR PROGRAMS) TO DO EVALUATIONS OF ON-GOING CIPS BEFORE COMPLETING FY 86 PAADS. THESE EVALUATIONS WOULD NOT NEED TO BE MAJOR UNDERTAKINGS, BUT SHOULD AT A MINIMUM RECORD MAJOR COMMODITIES (OR COMMODITY GROUPS) AND THE TYPES OF MAJOR RECIPIENTS UNDER ON-GOING PROGRAMS. THIS INFORMATION CAN IN TURN BE USED TO EVALUATE APPLICATION OF CRITERIA UNDER NEW PROGRAMS. AS EVALUATIONS ARE DONE, THEY SHOULD BE FORWARDED [illegible]