

PD-AAS-156

PROJECT PAPER

UPPER VOLTA

GRAIN MARKETING DEVELOPMENT

PROJECT NO. 686-0243

AGENCY FOR INTERNATIONAL DEVELOPMENT

UNCLASSIFIED

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/DR, John W. Koehring

SUBJECT: Upper Volta Grain Marketing Development Project (686-0243)

I. Problem: Your authorization is needed for a grant of Two Million Four Hundred Thousand Dollars (\$2,400,000) from Section 121 of the Foreign Assistance Act of 1961, as amended, Sahel Development Program (SH), to the Government of Upper Volta (GOUV) for the Grain Marketing Development Project (686-0243).

II. Discussion:

A. Project Description

The goal of this project is to assist the Government of Upper Volta (GOUV) in the attainment of food self-sufficiency. The purpose is to (a) increase cereal production and provide food security in rural areas and (b) to improve the basis for policy and operational decision making in food grain marketing. To accomplish this, SH appropriation funds (\$2.4 million) will be used to finance necessary technical assistance, commodities and U.S. training. In addition, \$4.6 million, to be generated from sales of 39,000 MT of PL 480 food, will be used to finance warehouse construction, local and third country training, and to establish a rolling fund for the purchase of local grain. The GOUV will provide funds already generated from the PL-480 food sales made in 1977 (5,000 MT), 1978 (10,000 MT) and those to be derived from the sale PL-480 food in FY 1980 (6,000 MT) and FY 1981 (18,000 MT).

The project was designed in collaboration with OFNACER and the Ministry of Rural Development and has the full support of the GOUV. It is consistent with the CILSS regional goal of achieving food self-sufficiency which is also the stated national goal of the GOUV. The project is also consistent with the strategy described in the Upper Volta CDSS which stresses development of rain-fed agriculture as part of a broader rural development strategy.

The project is an effort to establish a set of conditions favorable to efficient grain marketing; it consists of several elements which, in combination, continue the process of improving the cereal distribution and marketing system as part of a general, multidonor effort to develop a viable and more resilient agriculture sector. The immediate objectives of the project are: (1) to improve the ability and operating efficiency of OFNACER (Office National des Cereales or the National Cereals Office) to buy and sell grain in rural areas; (2) to upgrade OFNACER's ability to allocate storage facilities in a manner which maximizes efficient use of its resources; and (3) to make a systematic diagnosis of Voltaic grain marketing with the objectives of determining how the private sector's extensive capital stock and entrepreneurial talents can best be utilized in a mixed system. The project will also study cereals marketing to determine how much market intervention will be required to achieve the fundamental goals of the GOUV food self-sufficiency policies.

The project consists of various interrelated components; they are (1) technical assistance (9 1/2 p/y) to a) improve the technical capacity of the National Cereals Office (OFNACER) in order to provide analysis for the selection of the 30 best sites for location of sub-prefecture or arrondissement-level storage facilities, and to assist in the establishment of a planning unit, and b) undertake an extensive analysis of the traditional and modern trading sectors to provide the basis for policy making by the GOUV; (2) U.S. training in grain storage and marketing for 15 OFNACER employees; (3) training of 50 locals in warehouse management; (4) construction of 30 warehouses with a total of 7,500 MT storage capacity; (5) provision of commodities and warehouse equipment and (6) the establishment of a revolving fund to finance the purchase of local grain and support the creation of a grain buffer stock to relieve food shortages in rural areas.

B. Financial Summary

The total cost of the project to be financed by this grant is some \$7.2 million; \$2.4 million representing this grant, plus proceeds of \$4.6 million from the sale of PL-480 food and a GOUV contribution of \$237,000 as shown below.

	<u>FY 1980</u>	<u>LOP</u>
	(<u>\$000</u>)	
Technical Assistance	627	1,583
Commodities and Equipment	210	566
Participant Training	55	116
Other	<u>8</u>	<u>116</u>
TOTAL (AID Grant)	900	2,381 (Rounded to 2.4)
Construction	<u>683</u>	<u>2,265</u>
Local Training	-	127
Rolling Fund	<u>864</u>	<u>2,166</u>
TOTAL (PL-480)	1,547	4,558
Host Country Contribution	<u>30</u>	<u>237</u>
GRAND TOTAL	2,477	7,176

Foreign exchange costs represent approximately 25 percent of the total project cost. The GOUV has already provided the equivalent of \$1,547,000 which was derived from PL-480 food deliveries made in FY 1977 and FY 1978. As this project is being funded under Section 121 of the Foreign Assistance Act (Sahel Development Program), the requirement of Section 110(a) is not applicable.

This project has been reviewed and found to be sound from the social, economic, technical and environmental points of view. Food grain production and marketing is central to the livelihood of Voltaic farmers, and it is imperative that the role of the public grain agency be well defined to avoid, on the one hand, the excesses of state intervention, and on the other, the risks stemming from the absence of a public role in the market. Special attention will be paid to how changes in marketing arrangements affect both men and women grain producers. Marketing studies will supply basic information as to the structure of grain markets as well as the participation of different buyers and sellers in the market. It is expected that public grain storage structures will reduce losses by replacing less-than-appropriate facilities.

C. Summary of Analyses

The project encompasses a relatively broad range of beneficiaries. Rural consumers of cereals will benefit from a lower average cereal price, from avoidance of extreme price peaks and from greater security of food availability. The project will directly benefit farmer-producers in OFNACER purchasing areas through more stable and hopefully higher average prices from their grain production. The project will enhance OFNACER's capability to collect and analyze data necessary to make decisions on the conduct of its operations. The Ministry of Rural Development and the private and public sectors of the cereals economy will benefit from creation of an information base and improved understanding of the system; this, in turn, will allow a basis for better informed policy decisions. The project will also have a significant impact on women as they traditionally work their grain fields and constitute more than half the agricultural labor force.

An IEE was prepared recommending a negative determination; the Project Review finds it acceptable. However, since the pesticides to be used in the AID-financed warehouses cannot be identified at this time, the project provides financing for a pesticide specialist to assist in meeting the requirements of Section 216.3(b) (1) of Regulation 16. He will recommend the selection, and demonstrate the proper use, of USEPA approved pesticides. Neither the procurement nor the use of the pesticides shall be undertaken without written approval from AID. The Project Paper has been amended accordingly.

The requirements of Section 611 of the FAA have been fulfilled. A section 611(a) cable from REDSO/WA (Abidjan 6197) and a section 611(e) certification from the Acting Mission Director are included in the project paper.

No issues exist in Upper Volta with respect to U.S. concerns for human rights.

D. Project Implementation

Project implementation is to be vested with OFNACER. The HER (GOUV - L'Hydraulique et L'Equipement Rural) will be responsible for assembling and publishing the invitation for bids for local warehouse construction and for inspecting construction sites as is presently done for all units of the Ministry of Rural Development.

The Rural Development Division under Samir Zoghby will be responsible for USAID project implementation. Jay Smith, Program Economist, will be responsible for review of proposals to provide technical assistance and marketing studies. Lewis Ortega is the officer in AFR/DR responsible for backstopping project implementation.

Procurement of goods will be the responsibility of the GOUV, while procurement of services will be the joint responsibility of the government and USAID. Host Country contracting will be used for the construction elements of the project. Commodities will generally be procured from either the United States (Code 000) or less-developed countries (Code 941) including Upper Volta. No waiver for proprietary procurement of American vehicles is requested at this time.

E. Committee Action, Conditions and Covenants

A project review, held on September 17, 1979, recommended approval of the project subject to resolution of the availability in FY-1980 of 12,000 MT of PL-480 Title II food stocks. The ECPR, chaired by the DAA/AFR, W. Haven North, met on September 19, 1979, and recommended the Africa Bureau request approval of these stocks through the Office of Food For Peace Coordinator (PDS/FFP). That office has been successful in obtaining necessary clearances and approval of the respective members of the DCC sub-committee for Food Aid (USDA-OMB-PPC-FFP). However, due to already established priorities for PL-480 food in FY 1980, the additional 12,000 MT of PL-480 food will be provided in two tranches, i.e., 6,000 MT in FY-1980 (2nd Quarter) and 6,000 MT in FY-1981 (First Quarter). This was found to be satisfactory since the total amount (12,000 MT) will become available during the 1980 calendar year as planned in the project design.

Page 171 of the FY-1980 Congressional Presentation projects an obligation of \$900,000 for this year; no further notification to Congress is required.

USAID/Upper Volta recommended, and the Project Review concurred in, a condition precedent to first disbursement requiring the GOUV to assign an officer of OFNACER to serve as Project Manager, and two conditions precedent to AID disbursement for building construction and for procurement of U.S. equipment and commodities. Specific language for the conditions is cited in the attached Project Authorization.

A series of covenants were recommended by the Mission, concurred in at the Project Review, and are cited in the attached Project Authorization. Particular attention is drawn to the matters of pesticides and a GOUV strategy covering recurrent costs.

III. Recommendation: That you sign the IEE (Attachment A), indicating your approval of the recommendation for a negative determination; and that you sign the Project Authorization (Attachment B) authorizing the Grain Marketing Development Project with planned obligations up to \$2,400,000 in accordance with procedures described in the authorization.

Attachments: as stated

Clearances:

AFR/SFWA:RLandgren (draft) _____
AFR/SFWA:ECostello (draft) _____
AFR/SFWA:GMacArthur (draft) _____
AFR/DR:PRussell (draft) _____
AFR/DR:BBoyd (draft) _____
AFR/DP:EDonoghue (draft) _____
AFR/DR:NCohen _____
AFR/DR:ATummarillo (draft) _____

AFR/DR/SFWAP:JRMcCabe  _____
AFR/DR:QBenbow (draft) _____
AFR/DR:JMudge (draft) _____
PDC/FFP:NFox (draft-reconfirmed
by phone) _____
PDC/FFP:PSheehan (draft) _____
GC/AFR:NFrame (draft) _____
DAA/AFR:WHNorth _____

Drafted by: AFR/DR/SFWAP: ^{LO.} LOrtega:fn:12/31/79

ATTACHMENT A

Initial Environmental Examination (Revised)

Project Location: Upper Volta (nationwide)

Project Title: Grain Marketing Development (686-0243)

Funding: \$7,176,000 (FY 80 - FY 82)

Life of Project: 1980 - 1983

IEE Prepared By: James Smith Date: February 14, 1979

IEE Revised By: James Smith Date: August 2, 1979

Environmental Action Recommended:

That the project will not have a significant deleterious effect on the environment, and therefore a negative determination is appropriate.

No environmental assessment is required beyond the initial environmental examination (IEE).

Concurrence: Richard C. Mason Date: 8-26-79
Acting Mission Director

Assistant Administrator's Decision: Approved
W. B. Bullock

Date: 12/31/79

APPROVED: [Signature]

DISAPPROVED: _____

PROJECT AUTHORIZATION

Name of Country: Upper Volta

Name of Project: Grain Marketing Development

Number of Project: 686-0243

1. Pursuant to Section 121 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Grain Marketing Development Project for the Government of Upper Volta involving planned obligations of not to exceed \$2,400,000 in grant funds over a four-year period from date of authorization, subject to the availability of funds in accordance with AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of improving the cereals distribution and marketing system of Upper Volta. The objectives of the project are (1) to improve the ability and operating efficiency of OFNACER (Office National des Cereales or National Cereals Office) to buy and sell grain in rural areas; (2) to upgrade OFNACER's ability to allocate storage facilities in a manner which maximizes efficient use of its resources; and (3) to make a systematic diagnosis of the Voltaic grain marketing system with the objective of determining how the private sector's extensive capital stock and entrepreneurial talents can best be utilized in a mixed system. The project will also study cereals marketing to determine how much annual market intervention will be required in order to achieve the fundamental goals of the GOUV food self-sufficiency policies.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by AID under the project shall have their source and origin in the Cooperating Country, and in countries included in AID Geographic Code 941, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States or the Cooperating Country.

b. Conditions Precedent

1. Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall assign an official of OFNACER, the Ministry of Rural Development, to act as the GOUV project manager, who will be the counterpart and primary contact for the AID project manager.

2. Prior to any disbursement for any building construction activity financed under the Project Agreement (except disbursement of funds required to prepare plans and specifications), or to the issuance of any commitment documents with respect thereto, the Cooperating Country shall furnish to AID, in form and substance satisfactory to AID the following:

- (a) plans, specifications, bid documents, and time schedules for such construction activity;
- (b) an executed contract for construction services for such activity with a firm acceptable to AID;
- (c) a description of the arrangements for a public agency of the Cooperating Country, or other arrangements satisfactory to AID, to provide construction supervision services for such activity; and
- (d) evidence that the GOUV has acquired any permits, licenses, privileges, easements, rights of way necessary to provide utility services to the construction sites.

3. Prior to the disbursement of funds for procurement of equipment and commodities from the U.S. or the issuance of commitment documents with respect thereto, the Cooperating Country will provide to AID in form and substance satisfactory to AID:

- (a) an executed contract for the services of a procurement agent or other arrangements satisfactory to AID for securing such services; and
- (b) detailed specifications for equipment and commodities to be procured under the project.

c. Covenants

1. The Cooperating Country covenants to provide office space for the Economist or Agricultural Economist and local employees of the Planning Unit and for the Management Information Systems Specialist.

2. The Cooperating Country covenants to provide the sites for construction of grain storage warehouses in selected sub-prefectures and project management and technical personnel as necessary for the warehouse construction program.

3. Two years prior to the end of the project, the Cooperating Country and the implementation team will develop a strategy to cover recurrent costs.

4. The Cooperating Country covenants to report to USAID on a monthly basis with respect to the status of the rolling fund, the distribution and sales of P.L. 480 grain and the utilization of P.L. 480 sales receipts as provided for in the Transfer Authorizations.

5. The Cooperating Country agrees that the trainees sent to Kansas State University for training in grain storage and marketing will return to work at OFNACER upon completion of their training.

6. The Cooperating Country covenants to use only pesticides approved by USAID in the sub-prefecture warehouses constructed through the project.

7. The Cooperating Country covenants to establish a record-keeping system for the sub-prefecture warehouses constructed through this project and to report to USAID on a quarterly basis to permit verification of the kinds of insecticides used, amounts applied, and dates of application for each warehouse.

Goler T. Butcher
Goler T. Butcher
Assistant Administrator
for Africa

December 31, 1979
Date

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET	1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A ADD C CHANGE D DELETE	PP 2. DOCUMENT CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">3</div>
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3. COUNTRY ENTITY UPPER VOLTA	4. DOCUMENT REVISION NUMBER <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div>
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5. PROJECT NUMBER (7 digits) <div style="border: 1px solid black; display: inline-block; padding: 2px;">686-0243</div>	6. BUREAU/OFFICE A. SYMBOL AFR	B. CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">06</div>	7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; display: inline-block; padding: 2px;">GRAIN MARKETING DEVELOPMENT</div>
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8. ESTIMATED FY OF PROJECT COMPLETION FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">83</div>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">80</div> B. QUARTER <div style="border: 1px solid black; display: inline-block; padding: 2px;">1</div> C. FINAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">83</div> (Enter 1, 2, 3 or 4)
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10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 -)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	685	215	900	1791	590	2381
(GRANT)	685	215	900	1791	590	2381
(LOAN)						
OTHER U.S. 1. PL 480	-	1457	1457	-	4558	4558
HOST COUNTRY	-	30	30	-	237	237
OTHER DONOR(S)						
TOTALS	685	1702	2387	1791	5385	7176

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>80</u>		H. 2ND FY <u>81</u>		K. 3RD FY <u>82</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) SH	134	140		900		1026		330	
(2)									
(3)									
(4)									
TOTALS				900		1026		330	

A. APPROPRIATION	N. 4TH FY <u>83</u>		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	Q. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) SH	125				2381		<div style="border: 1px solid black; display: inline-block; padding: 5px;"> MM YY 05 81 </div>
(2)							
(3)							
(4)							
TOTALS		125			2381		

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1

 1 = NO
 2 = YES

14. ORIGINATING OFFICE CLEARANCE	15. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
SIGNATURE Richard C. Meyer <i>Richard C. Meyer</i>	<div style="border: 1px solid black; display: inline-block; padding: 5px;"> MM DD YY 08 27 79 </div>
TITLE Acting Mission Director	
DATE SIGNED	
<div style="border: 1px solid black; display: inline-block; padding: 2px;"> YY MM DD YY 08 24 79 </div>	<div style="border: 1px solid black; display: inline-block; padding: 2px;"> MM DD YY 08 27 79 </div>

TABLE OF CONTENTS

	<u>Page</u>
I. Description of the Project	1
II. Economic Feasibility	4
III. Social Soundness Analysis	14
IV. Technical Feasibility	17
V. Administrative Feasibility	20
VI. Environmental Concerns	23
VII. Financial Plan	25
VIII. Implementation Plan	29
IX. Evaluation Arrangements for the Project	29
X. Conditions, Covenants, and Negotiating Status	30

ANNEXES

	<u>Page</u>
A. PID Approval Message	33
B. IEE	38
C. Financial Tables	50
D. Logical Framework	58
E. Statutory Criteria Checklist	59
F. 611 A Certification	66
G. 611 E Certification	68
H. Implementation Schedule	69
I. Procurement Plan	72
J. GOUV Application for Assistance - Letter from Minister	73
K. Organization Chart for OFNACER	77
L. Ambassador's Letter	78
M. Project Background	79
N. Mission Project Approval	96

SUPPLEMENTARY ANNEXES

I. Organization of the OFNACER Campaign, 1978-79	1
II. Collection, Analysis and Utilization of Data: OFNACER's Capabilities and Needs	6
III. OFNACER Storage and Transport Capacity	14
IV. Economics of Grain Price Stabilization in Upper Volta: Examination of the OFNACER Proposal	19
V. Selected References	30

I. DESCRIPTION OF THE PROJECT

As in many developing economies there is concern that the cereal marketing system is not efficient, that farmers as producers of food grains are not receiving adequate prices and that consumers sometimes must pay excessively high prices. The problem is compounded in Upper Volta because of large variations in the total amount, the regional distribution and the timing of rainfall which gives rise to substantial variations in aggregate and interregional grain production. The transportation and communications system is rudimentary at best and the agriculture system produces cereals primarily for self consumption, thus the size of the marketable cereal surplus is relatively small and highly variable.

In this context the Government of Upper Volta (GOUV) is attempting to address these problems in its effort to increase domestic cereal production, to decrease grain price increases over the annual crop cycle and to decrease price differences among regions. In addition, the GOUV is attempting to increase the security of food supplies and the operating efficiency of the system which implements the food security program.

Essentially, this project is an effort to establish a set of conditions more favorable to efficient grain marketing. The project consists of several elements which, in combination, continue the process of improving the cereal distribution and marketing system as part of a general multidonor effort to develop a viable and more resilient agriculture sector.

The immediate objectives of the project are: (1) to improve the ability and operating efficiency of OFNACER (Office National des Cereales or the National Grain Office) to buy and sell grain in rural areas; (2) to upgrade OFNACER's ability to allocate storage facilities in a manner which maximizes efficient use of its resources; and (3) to make a systematic diagnosis of the Voltaic grain marketing system with the objective of determining how the private sector's extensive capital stock and entrepreneurial talents can best be utilized in a mixed system.

The final project design differs from that described in the PID in two fundamental ways. First, the emphasis on achieving intra-annual price stabilization has been replaced by an investigative approach which will assist the cereals office

in defining a sustainable role with minimal recurrent charges and a greater possibility of financial self-sufficiency. The PI itself does not contain direct responses to some of the questions posed in the PID approval cable. It was not possible for the PP team to assemble the data and to conduct the analyses necessary to answer all of the questions. However, the substantial investigative component of the study will encompass a systematic examination of the remaining issues outlined in the PID cable. The project will study cereals marketing to determine how much annual market intervention is required in order to achieve the fundamental goals of GOV food policy in a manner compatible with financial autonomy of the cereals office. Second, the village grain bank component has been eliminated from this project for several reasons. The grain banks could not be directed by OFNACER which does not have the personnel to reach the village level for extension activity. Although grain banks are philosophically compatible with the current project's outreach into rural areas, the necessity for separate management would make the small grain bank component a project within a project and it might receive less attention than required. Instead, the Mission plans to submit a separate proposal (AIP) for grain banks in FY 1980.

The project consists of five interrelated components designed to achieve the objectives listed above. The components are: (1) construction of approximately 30 small-scale food grain storage facilities (150 to 250 metric tons each) to be located in carefully selected, rural sub-prefectures or in rural arrondissements; 1/ (2) a revolving fund to finance the purchase of 10,000 metric tons of local grain annually; (3) technical assistance consisting of one economist (or agricultural economist) supported by two Voltaic college graduates with training in economics or marketing to work in OFNACER for three years. The core task of this team will be the provision of analyses for the selection of 30 best sites for location of sub-prefecture or arrondissement-level storage; (4) short-term training in grain storage and marketing for 15 OFNACER employees at Kansas State University and local or third-country training and wide examination of the traditional and modern trading sectors to determine the kind and degree of competition, market structure, market integration and quantitative estimates of principal impediments to market integration. The project includes two support components: the provision of four vehicles for the use of the technical assistance team and the study team and the provision of a management information system specialist to OFNACER for a year to suggest improved reporting and accounting procedures within OFNACER

1/There are approximately fifty sub-prefectures and more than two hundred arrondissements in Upper Volta. The sub-prefecture is an administrative unit roughly the size of a county in the U.S. and the arrondissement is the next smaller administrative unit.

OFNACER will be expected to provide office facilities and secretarial/clerical support for the technical assistance team.

The first two components listed above and local training will be funded with \$4.5 million in net proceeds from the sale of PL 480 food grain. An agreement already exists between the GOUV and the U.S. to provide 10,000 metric tons of Title II American red sorghum this year. Counterpart funds from this food aid and counterpart funds from a 1977 T.A. are included as a part of this project. 1/ The rest of the PL 480 funds will come from two additional shipments of 12,000 metric tons each in 1980 and 1981. The technical assistance, U.S. training, marketing study and support components will use approximately \$2.4 million in regular program funds.

The project encompasses a relatively broad range of beneficiaries. Rural consumers of cereals will benefit from a lower average cereal price, from avoidance of extreme price peaks and from greater security of food availability. The project directly benefits farmers in OFNACER purchasing areas who will receive higher average prices for their grain production. To the extent more cereal is produced and/or marketed, national food security policy will be facilitated and the greater supply will tend to exert downward pressure on cereal prices (the actual change in prices is a function of several variables many of which are much stronger than a partial incentive price program). OFNACER will benefit by gaining a core analysis and evaluation unit. The project will enhance OFNACER's capability to collect and to analyze the data necessary to make decisions on the conduct of their operation. The Ministry of Rural Development and the private and public sectors of the cereals economy will benefit from creation of an information base and improved understanding of the system which will allow a much better basis for well-informed policy decisions. The gestation period for the effects of the study component is relatively long and the most difficult to address with precision. Yet it is likely the study component will ultimately yield the largest benefit by laying the foundation for establishment of a policy which capitalizes on the relative strength of the public and private sectors of the cereals economy.

1/ The 1979 transfer authorization calls for OFNACER to use the net proceeds from sales (counterpart funds) to finance the revolving fund for the purchase and resale of 10,000 tons of Voltaic grain.

Background information regarding the historical evolution of public grain marketing in Upper Volta and basic data about the agricultural sector are discussed in Annex M. This information is useful in understanding the approach selected by the design team to address the problems of food insecurity and cereals price fluctuations.

II. ECONOMIC FEASIBILITY

Cereal grains are the dietary mainstay of most residents of Upper Volta, and their production the major agricultural pursuit of its farmers. Although only an estimated 15 percent of total cereals production (approximately 1 million tons in 1978-'9) is marketed, these grains are nonetheless the largest source of cash farm income in certain areas of the country, such as in the E. ORD. 1/

Although the nation has had to rely on grain imports in most years to meet its total food needs, there are strong indications that, given employment of appropriate production resources and practices, self-sufficiency (perhaps even exports) can be achieved. Programs aimed at meeting these production needs are in place; others are surely needed. A more balanced approach is required, however, if farmers are to have the incentive to adopt output-expanding innovations. The marketing system must translate effective consumer demand for cereals to those who would produce the crops. To the extent production oriented programs are successful, a relatively high proportion of marginal increases in output can be expected to be offered to the market. The pace of marketing improvements thus must be relatively quicker than that of production improvements.

The present grain marketing system in Upper Volta clearly has imperfections. Limited success of production-oriented programs is one indicator. A steady stream of unofficial reports of market price inefficiencies which translate to unremunerative producer prices and much higher consumer prices is another indication. At the same time, the system is very

1/ ORD: Regional Organization for Development. Upper Volta is divided into eleven ORDs which are administrated by the Ministry of Rural Development and are responsible for the supervision and coordination of development activities within their assigned areas. The acronym "ORD" can mean either the governmental agency or the geographical region encompassed by that agency.

poorly developed and resulting costs probably relatively high. Technical inefficiencies in the system are apparent but hard to quantify. Transportation means are primitive, roads are poor, information systems undeveloped, grading and standardization procedures unformalized, and storage availability and quality highly variable.

While a definitive study of market structure, conduct and performance of the cereals sub-sector has yet to be made, certain characteristics of the system are evident. ^{1/} The seller side of the market is clearly atomistic. Average farm size varies by area, the range being from 2.5 to 5 hectares. It is rare for a single household to cultivate more than 10 hectares of land. Most grain produced by most farmers (about 85 percent on average) is needed for consumption by the farm family. Average market sales are therefore extremely small.

Much less is known about conditions on the buying than on the selling side of the market. Beyond the fact that the number of buyers in any given market is likely to be exceeded several fold by the number of sellers, structural parameters are extremely vague. Whether market traders are sufficiently concentrated and sufficiently more knowledgeable of market conditions than farmers to exert a significant degree of market power has been debated without benefit of hard facts and without resolution. One explanation for the widely divergent views on the issue is that market power on the buying side varies widely from locality to locality depending largely on relative physical isolation of the selling community. It has been contended that exploitation of their allegedly monopsonistic market position is a relatively recent phenomenon in Upper Volta, one that has evolved with the partial opening of isolated rural villages to outside economic influence. According to this explanation isolated villages which formerly exchanged excess grain production internally to satisfy unmet needs of individual villagers are now, with the gradual expansion of communications, able to sell surpluses outside of the village.

^{1/} USAID/Upper Volta is currently funding field research on grain marketing in three villages by Ms. Sherman, a graduate student in Economics at the University of Michigan. Her study will describe and analyze data gathered weekly on the marketing behavior of small farmers and compare their results with conditions in the major local grain markets. This study is an important initial step in understanding the structure and performance of Voltaic grain markets.

Needy villagers are thus deprived of grain and sellers are exploited in their unequal terms of trade by the few traders who penetrate the as yet relatively isolated hinterlands. By this view the exploitation is a temporary phenomenon which can be remedied by further improvement in communication, by encouragement of increased buying competition, and by encouraging new means, commensurate with increasing monetization of village economies, for assuring that local grain production will be stored and used to meet local needs. It is toward meeting these economic and physical needs that the project is addressed. It is toward resolving the uncertain extent and distribution of pricing and technical inefficiencies that the technical assistance and study components of the project are addressed. The precise short-run focus of the project will be guided by the technical assistance, the longer-term direction and potential project extension by study findings.

The PID approval cable (Annex A) raised a number of issues which could not be thoroughly discussed due to the lack of basic data on farmer-trader relationships and the structure of the grain trading industry. The study component of the project will address these and other issues and provide the GOUV with adequate information to begin to formulate a sound cereals marketing policy.

Specifically, the study will be a system-wide examination of the cereal marketing economy. It will consist of a logical body of data and empirically supported analysis. The analysis will be directed to answering questions relating to cereal pricing, relative strengths and weakness of the government and private sectors in the cereal marketing operations and how both relate to development of the rural sector and facilitating cereal production. Specific analyses to be carried out through the study are:

- a) An analysis of the traditional grain marketing sector, rural and urban. This component will examine the competitive structure of the small trader system, how small, professional traders and farmers interrelate, marketing costs and returns and how the traditional marketing system relates to the modern grain marketing sector.

- b) An analysis of the modern grain marketing sector. This component will examine the competitive structure of the modern grain sector, i.e., traders or brokers using trucks and/or dealing in larger amounts (as measured in tons) and usually engaged in non-local trade. The modern sector will be analyzed for costs and returns, trading practices, degree and forms of competition, the modern sector's relationship to the traditional marketing system and to OFNACER and ORD grain operations.
- c) An assessment of grain market integration over space and time. This component will provide an analysis of market linkages to determine price sensitivities, lags in traditional and modern trader responsiveness to price differences. It will identify the major existing impediments to market integration. Price and grain flow data will be collected and analyzed to form a country-wide assessment and two cases will be selected for more in-depth study.
- d) An analysis of the role of transportation costs, storage and handling costs and risks associated with grain marketing in the modern sector. The analysis will, to the extent possible, construct a country-wide series of estimates plus two in-depth case studies.
- e) An estimate of the volume of grain traded, in a cross section of markets over time. This component will set out a comprehensive quantitative description of national and regional grain movement.
- f) An empirical identification of the most unstable marketing areas. The analysis will attempt to identify cases in which local markets have experienced extremely rapid price changes and explain the reasons behind the changes. It will also attempt to identify local/regional markets whose prevailing price levels cannot be accounted for by the costs of making the grain available. In this aspect the analysis will seek to identify instances of monopolistic, monopsonistic or collusive pricing.
- g) An analysis of cross-border grain movements and their relationships to the grain marketing system of Upper Volta. The analysis will seek to estimate, on a selective basis, volume of grain traded, influencing

factors and general sources and origins of cross-border movements. The analysis will attempt to make assessment of the grain pattern of cross-border grain flows.

- h) An analysis of the roles played by women in grain marketing and the magnitude of their participation in different phases of grain marketing.

The study of the cereal marketing system will provide OFNACER and the GOUV with a comprehensive data base and an analytical understanding of the system which are prerequisites to intelligent, informed policy-making.

Although it is not possible to quantify the economic benefits to be gained from the project, several sources of benefits are readily identifiable. The project is designed to contribute to the reduction (but not the elimination) of post-harvest seasonal price increases in rural areas. It is designed to bolster grain prices paid to producers and to reduce prices paid by consumers, particularly rural consumers. Finally, the project is aimed at enhancing the food security of rural consumers.

Upper Volta is extremely poor in natural, capital and human resources. Within this context, cereal crops appear to have a significant comparative disadvantage (a least comparative disadvantage perhaps) over alternative agricultural enterprises in many areas. Sorghum and millet are particularly well adapted to climatic conditions characterized by low and highly variable rainfall. Development of agricultural resources, with emphasis on these cereal crops, thus has economic as well as humanitarian logic.

Higher and more stable producer prices will reduce one of the major uncertainties associated with production, enabling farmers to be more innovative, more receptive to programs will be complemented in a direct way by the present project. Enhanced marketing efficiency thus will contribute to enhanced production efficiency and to expanded agricultural output.

Improvements in production systems, stimulated by improved technical and pricing efficiency in the marketing system, will in turn lend greater stability to total grain output and prices. Improvements in production efficiency and in marketing efficiency are mutually reinforcing.

Since producers' costs will be lower and their incomes higher their effective demand for producer and consumer goods will increase, stimulating production in other sectors of the economy. Consumers' real incomes will similarly increase, from expanded demands for their services, greater output of grain and lower grain prices. They too will be able to buy more food and, perhaps of equal importance, more of other consumer goods and services, thus improving their own level of living and stimulating further economic activity.

Additional storage oriented toward rural areas is needed to assure that these areas will have food during all seasons of the year. Losses to insects and rodents will be reduced by replacement of substandard leased facilities with new and upgraded facilities under direct control of OFNACER. Transfer costs will be reduced since under the present system much grain must be assembled in rural areas at harvests, shipped to central storage sites and reshipped later on to those same rural areas.

The larger part of the assistance package is aimed at aiding OFNACER in becoming more efficient in its cereal marketing activities. OFNACER has become an established element in the grain marketing system of Upper Volta. While its present operations are far from optimal it is clearly a much more efficient concern than at any previous time. The GOUV is determined that OFNACER will continue to play a significant role in intra-annual price stabilization 1/ as well as in long-term reserve storage activities. Although the extent to which short-term price stabilization is essential in Upper Volta is a debatable issue, the involvement of OFNACER in stabilization efforts is a fait accompli. This being the case it is useful to promote a cost-effective deployment of existing resources and to provide certain selected additional resources which will, at the margin, substantially enhance efficiency of the overall operation.

1/Grain prices are lowest for producers and consumers during and just after the annual harvest when supplies are relatively plentiful everywhere. Prices tend to rise as grain stocks are drawn down over the following months because there are costs of storing grain and transporting it from producing to consuming areas. In an efficient market system the difference in prices over time reflects storage costs and a normal return to investment in grain inventories and the difference in prices between regions is no greater than transport costs. Grain prices continue to rise until the next harvest when the new supply causes prices to fall.

Finally, OFNACER has important related obligations involving housing and management of emergency reserves and the programming, storage and disposition of grain imports. If managed properly, facilities, equipment and staff resources will be employed jointly in furtherance of the several tasks. Coordination of these tasks is essential if complementary aspects are to be exploited fully. A major thrust of the proposed project is technical assistance aimed at upgrading OFNACER's planning and coordination capabilities.

Technical assistance will help to assure that new storage facilities are sized and located so as to minimize initial costs and more importantly, to minimize recurring operating costs of storage and transportation. Technical assistance will be aimed at strengthening OFNACER's ability to analyze market conditions, to make rational pricing recommendations and to develop sales and procurement plans which conform with market needs and intervention capabilities. OFNACER's data gathering and analysis capabilities will be upgraded, enabling the organization to perform its day-to-day commercial operations more efficiently.

Added storage in rural areas will enhance emergency reserve as well as short-term stabilization goals if the stocks are managed properly. Such reserves serve economic as well as humanitarian purposes. There is ample evidence that inter-annual production and prices in Upper Volta are highly variable. It is clear as well, that consumers benefit from the more stable prices that result from inter-annual stabilization programs. While price stability may, as suggested in the CILSS Report,^{1/} detract from producer income stability, there can be no doubt that producer planning ability is enhanced. Farmer's plans for the coming year are greatly influenced by price levels in the current year. If they are rational, farmers base their planning decisions not on income but on price expectations since they know intuitively that weather variability and the output variability which it occasions are random and generally unpredictable occurrences. But excessive year-to-year product price swings precipitated by production variability (price shifts are magnified owing to inelastic demand for basic food crops) not only frustrate farmers' planning ability, but lead to counterproductive decisions. The existence

^{1/} CILSS/Club du Sahel. Working Groups on Marketing, Price Policy and Storage. Marketing, Price Policy and Storage of Food Grain in the Sahel. A Survey. 2 vols. Ann Arbor: Center for Research on Economic Development, University of Michigan, 1977.

of a "cobweb" effect has been well documented in other areas of the world. ^{1/} There is no reason to suppose the effect does not hold true in Upper Volta as well. The private sector has neither the incentive nor the resources to hold long-term reserves. The present project bolsters and complements the countercyclical effects of government stocks held for reserve purposes.

Recurrent Cost Analysis

The project will add twenty percent to OFNACER's existing and planned storage capacity (See Annex III). It will also create a planning unit which will continue to function at the end of the project. The recurrent costs to be borne by OFNACER result from the need to maintain the new storage facilities and the planning unit.

A. Warehouse Maintenance

The grain warehouse must be well maintained to prevent insect infestation of grain. This requires keeping the walls smoothly plastered. It must also remain rodent proof so any seals on doors, windows or vents must be in good condition. The warehouse must be treated annually to ensure that the warehouse is not a source of infestation and to reduce the need to treat the grain itself.

Below we have estimated costs for treatment of the structure and treatment of grain stored there each year.

If the system is to continue functioning indefinitely, the warehouses must be amortized, thus permitting their eventual replacement. This is the largest component of recurrent costs.

^{1/} The Cobweb Theorem states that farmers make production plans for the forthcoming crop based on prices received for the last crop. Overreaction to high prices in one period precipitates over-production and sharply lower prices in the next period, and vice-versa. Prices thus are destabilized by inappropriate production response.

	<u>Unit costs</u>	<u>Total Cost</u>
Annual treatment costs	\$1,200 x 30	\$ 36,000
Amortization (20 years)	\$3,350 x 30	100,000
Maintenance/repair of structure and equipment	\$ 500 x 30	<u>15,000</u>
SUB-TOTAL		\$151,500

B. Grain Operations

For each of the 30 warehouses, a warehouseman will be present for part or all of the year. In some areas there will be little or no buying due to a poor harvest and the warehouseman will be assigned to a buying team in a production area. In other areas, there will be both purchases and sales requiring the warehouseman's presence year round. Whatever his scheduled use, OFNACER will employ 30 additional warehousemen to run their project-funded warehouses.

Salaries and benefits \$51,500

The planning unit will continue after the departure of the technical assistant with two Voltaic university trained economists who have gained experience in planning and analysis of grain market operations during the project.

Salaries and benefits \$20,000

The total annual recurrent costs assumed by OFNACER are \$223,000. This figure is about 8.9% of the current annual operating budget of \$2,500,000. However, the net addition to budgetary outlays will be less than \$223,000 because OFNACER will be able to reduce many current expenditures.

OFNACER already operates in all the subprefectures, but usually without any of its own infrastructure. It rents temporarily unoccupied cement houses or merchants' storerooms. These structures were not intended for grain storage and consequently the need to treat grain for insect infestation is frequent and losses to insects and rodents are high.

Sometimes, the subprefect supplies a building 1/ and a man to manage the grain stock. In such cases, the accounting is often done poorly (if at all) and OFNACER has a more difficult time recovering receipts from grain sales. Even when the work is done honestly, the sub-prefect's employee may not know how to check for insects, when to aerate the warehouse and when not (the decision depends on relative humidity), how to keep the area clear to discourage rodents, when to ask OFNACER to treat the grain, and a host of warehouse management problems.

The installation of grain storage warehouses and OFNACER-trained warehousemen will eliminate rental fees in some sub-prefectures and reduce grain losses and occasional embezzlement of funds. If losses can be cut from an estimated 20% to 10% in these rural warehouses, and assuming that 7,500 metric tons are handled each year, annual revenues could be increased by over \$200,000. This improvement alone would nearly cover the estimated recurrent costs of the additional warehouses and warehousemen.

In addition, there is the possibility of economizing on transport because there are adequate storage structures in rural areas. In particular, it will not be necessary to transport grain to central storage for good keeping and then ship it back to the same area for sale later in the year. Also, it will be increasingly possible to ship grain from one rural area to another without passing through central storage. A good planning unit can take advantage of these new storage structures to reduce total grain transport costs.

The prospects for reducing grain losses and improving the efficiency of the system through better planning appear to be very attractive because the current system is run very inefficiently. The recurrent costs of maintaining the new structures, personnel, and planning unit may be more than offset by the reductions in costs that are made possible. In other words, the improved storage structures are highly likely to be cost-effective.

1/One building had a hole in the roof. Rain spoiled much of the grain.

It is important to note that a cost-effective improvement increases the efficiency of the system. However, the efficiency of the overall system must still be questioned by the economists in the planning unit who will analyze the functions of OFNACER in the national cereals market. They may well conclude that fewer than thirty warehouses are justified additions and that CFNACER should instead rely on more frequent small shipments of grain with rapid turnover in certain sub-prefectures. This strategy, in some cases, may be more cost-effective than the improved storage option. Thus, while recurrent costs of this project are not a serious problem in the sense that proposed additions to the system are cost-effective, the problem of the overall recurrent costs of the system remains a question which must be analyzed carefully to provide part of the information necessary to the choice of strategy in different sub-prefectures and eventually to the formulation of national cereals policy.

III. Social Soundness Analysis

With 92 percent of its population residing outside of towns, Upper Volta is overwhelmingly a rural nation. With 1978 average per capita incomes of only about \$60, compared with \$110 for the country as a whole, rural residents, and particularly the poorer and more remotely located cereals producers and rural consumers, will be the major beneficiaries of the present project.

The most direct beneficiaries will be those farm families which are able to sell directly to OFNACER, thereby receiving a price which the private sector could not or would not offer. This project will provide a rolling fund for the annual purchase of 10,000 MT. or about 6 to 7 percent of marketed grain. All other producers of grain will benefit indirectly to the extent that OFNACER's presence in the market increases the effective demand for grain and pulls the producer price up. In the long-run, all Voltaics will benefit from increased food supply and reduced dependence on imported food.

The smaller and more remote the producer the less bargaining strength he/she is likely to have vis-a-vis traders to whom grain is sold. The smaller the farmer, and the

nearer he/she is to the margin of subsistence the more likely he/she will be forced to sell grain at or near harvest when prices are lowest. Intervention by OFNACER will provide an alternative market. OFNACER presently has a limited outreach in remote rural areas; addition of new sub-prefecture storage facilities will extend that reach. Improved prices will provide incentive for expanded production in remote rural areas resulting in a widening and deepening of markets which will in the long-run enhance opportunities for private as well as public marketing activities.

The GOUV has adopted a new and more realistic position toward the future role of this grain marketing agency. No longer is it to have a legal monopoly in grain trade. OFNACER's new purpose is not displacement of the private sector but the enhancement of its technical and pricing efficiency through competition with the private sector. Activities of efficient private traders are to be encouraged. If they wish to do so, traders can apply to become licensed buying agents for OFNACER.

OFNACER is much more of a going concern than at any previous time. It has a new Director General and an impressive group of top-level managers. Moreover, the organization apparently has the confidence of the Government. OFNACER's pricing recommendations for the 1978-79 buying campaign were accepted as presented by the interministerial board which oversees its operations. This year for the first time a significant amount (15 thousand tons) of local grain was purchased directly by OFNACER (see Supplementary Annex I). The organization has a potential for the first time of playing a significant role in extending national grain markets to the hinterland of the country. The present project is aimed at strengthening that outreach.

While this project is not specifically targeted at women or women's groups, it may have a very significant impact on their well-being. Rural women in Upper Volta have their own grain fields and storage structures. With her own food supply, each wife can look after her own children in a polygamous household when the rations from the husband's granary begin to be smaller. Women must all work in the common household field managed by the head of the household. All together, with the high proportion of male migration out of rural areas, women perform much more than half of the agricultural labor as well as going for water, caring for the children and cooking for the household.

Since men are expected to provide grain for the entire household throughout the year, they tend to sell grain only after they are sure that their supplies are adequate. Women, on the other hand, enter the market soon after the harvest to sell a portion of their own grain before it gets used up at home. They will store what they and their children may need later in the year when stocks are low, but they can count on the husband's supplies, which they helped produce, to get the family through to the hungry period. ^{1/} Since women are most active as sellers soon after the harvest when prices are typically lowest, they stand to benefit greatly from early market intervention by OFNACER. Of course, women will benefit along with the entire household to the extent that they are all able to earn higher incomes as grain producers.

Improved farm incomes will have indirect as well as direct benefits for rural residents. Higher and more certain incomes will provide an incentive for more innovative activities by farmers now living near the margin of subsistence. Extension and rural cooperative institutions will be strengthened as farmers see opportunities for adopting innovative methods. Health services and education in rural areas will benefit from the presence of discretionary income.

Placement of OFNACER facilities in rural areas will make food available at times when roads to certain areas are impassable. The nutritional implications are favorable not only from an humanitarian standpoint but because the "hungry" pre-harvest period coincides with the growing season when field work is most demanding and food energy requirements highest. Improved nutrition will make people more productive, thus increasing the effective supply of labor devoted to crop production.

The greater availability of food at this time of year will help to reverse the vicious cycle of low output due to low productivity which in turn leads to inadequate food supplies, low labor productivity and hence low output in following years.

^{1/} The hungry period ("soudure") is the time of year when grain stocks are low and must be carefully rationed until the annual harvest in October and November. The hungriest time of year is in July, August, and September. It is also a time when people must work harder weeding their fields and later protecting the maturing crops from birds and insects. It is just when they need to eat well that the food supply is the lowest and the size of the coming harvest is still uncertain.

Increased agricultural productivity stimulated by enhanced marketing incentives will increase the agricultural self-sufficiency of Upper Volta. Accumulation of grain stocks will reduce dependence on international markets during times of temporary domestic shortfall.

The study aspect of the project will provide further insights into social as well as economic costs and benefits of alternative approaches to grain marketing improvements and into appropriate means for maximizing the diffusions of benefits throughout rural society.

Technical assistance will assure that social as well as economic variables are considered in the development of suitable storage capacity for OFNACER. A detailed examination of all aspects of location, sizing, management and other placement and operational issues is to be a major task for the long-term technician and his staff. Where feasible, existing local structures will be utilized. OFNACER is a going concern; it is a logical focus for the project's activities.

IV. TECHNICAL FEASIBILITY

General Remarks on the Fight Against Insects, Rodents and Molds in Stored Cereal Grains

Molds and insects thrive in the temperature range between 20° C (68° F) and 40° C (104° F), thus it can be said that Upper Volta has ideal temperatures for both since its yearly temperature average ranges from 21° C (69.8° F) to 35° C (95° F). 1/ But Upper Volta has a saving factor in that, except for the southwest region, it has an average relative humidity of less than 65% for 7 months out of the year. For Ouagadougou, Ouahigouya and Boromo this is true for 9 months out of the year. 2/

Molds die off rapidly below a relative humidity of 70% and therefore would stand no chance of survival in Upper Volta if grain (especially millet, sorghum and maize) is kept below a moisture content of 12.2% (wet basis) which is in equilibrium with a relative humidity of 60% and a temperature of 32° C (90° F).

1/ Institut Geographique National, Atlas de la Haute-Volta, Editions Jeune Afrique, Paris, 1975.

2/ Service Meteorologique, ASECNA, Tableau Climatologique (1961-1970), Ouagadougou, August, 1972.

Insects cannot breed successfully below a relative humidity of 40% which is in equilibrium with grain at a moisture content of 8% (wet basis). Insects are much more difficult to control than molds since this condition is only met 4 months out of a year in Upper Volta (Dec., Jan., Feb., and March). The best condition or control that Upper Volta should exercise is storing only clean and dry grain (less than 12% M.C.). This would mean ~~strict~~ management and sanitation. Until this becomes feasible they will have to rely on their second best option: use of insecticides and fumigants (discussed under Environmental Concerns.)

Rodents are easier to control than molds and insects and OFNACER seems to be doing a good job. Rodents do not like wide open spaces and the fact that OFNACER keeps the areas around their warehouses clean and free of weeds is probably a major factor in their control. Rodents have poor eyesight (a reason they don't like wide open spaces) and therefore like to follow a wall "feeling" their way which is a good reason for warehouses to be built away from other buildings. For inside control of warehouses, rat traps are the next best thing and last are rat poisons. Rat traps are a good method for discovering rodent problems. Otherwise they may go undetected until they become a serious menace.

Recommended Warehousing

Ideal storage conditions are with a relative humidity (R.H.) of less than 65%, temperatures less than 20° C (68° F), and good clean grain with a moisture content less than 12% (wet basis) (W.B.). The ideal condition of temperature less than 20° C cannot be met without prohibitively expensive air conditioning and must therefore be controlled as low as possible. As long as grain enters warehouses already dry (less than 12%), high temperatures will not pose a serious problem.

In a country like Upper Volta with average yearly temperatures of 21° C (70° F) and in some months with temperatures as high as 45° C (113° F), structures must be built that can maintain as low and as constant a temperature as possible for good storage. This cannot be done in a metal prefab warehouse or quonset that is not well insulated. Metal warehouses or quonset huts tend to develop an "oven effect" where temperatures inside can build up much higher than the

noon-time temperature outside. For example, in quonset metal warehouses in Ouagadougou when the outside noon temperature was 90° F, the temperature inside the warehouse was 105° F with one door open. During the night, if it should rain, the rapid cooling inside can cause condensation on the metal which in turn can wet the grain. This is bound to happen where bags touch walls and inside a quonset hut (arched roofs all the way to the ground) this invariably is the case.

The quonset huts in Upper Volta provided by the Germans have served their purpose for emergency short-term food supply operations but should definitely not be used in plans for long-term grain storage structures. OFNACER will have enough management problems without having the temperature problems that metal buildings would cause in addition.

The best warehouse storage units (visited by the design team) in Upper Volta are those that were constructed by Entente/AID. 1/ Although they were constructed at a high cost (prefabricated metal trusses and beams with cement walls) they certainly serve their purpose for good storage. They maintain a fairly low temperature inside. Although metal roofed, the vents near the peak of the gables prevent the "hot-air" pocket from reaching the top of sacks. The walls are insulated because of the cement block construction used. The temperature outside one of these warehouses was 90° F at noon while the inside temperature of the warehouse was 80° F.

Cement or concrete construction is very highly recommended over metal because of this temperature factor unless, of course, complete insulation of the metal is done. Quonset huts would under no circumstances be recommended for long-term storage structures even with insulation because of their waste of storage space.

Technical Specifications for Warehouses

The design team recommends concrete or cement block type construction with a metal roof with aeration vents at the peak of each gable. Hinged doors are to be used so as to make the building more easily rat proof and to increase effect of fumigation (because of a better seal).

1/ See Annex M for a discussion of the Entente project.

The design team has concluded from its observations that OFNACER has shown its capability to utilize and maintain the already existing concrete warehouses built by Entente/AID and will be able to do so with similar structures in the sub-prefectures.

Complete and detailed plans of the warehouses are available for consultation at the Upper Volta desk, room 4531 NS. Their local construction and simplicity in design and the relative ease of modifying warehouse length to increase or decrease capacity make the design very attractive except for two changes recommended by the design team:

- 1) Hinge doors should replace the sliding track doors in the current plans to render the building more rodent proof and more hermetic.
- 2) A dock should replace the ramp to the loading door so that trucks may not back into the warehouses. This will minimize possible damage to units by trucks.

Construction costs for thirty 250 metric ton units were estimated by REDSO/WA. The costs include the extra expense of building outside of the two major towns, Ouagadougou and Bobo-Dioulasso.

The 611 (A) certification is in Annex F.

A complete list of equipment for the sub-prefecture warehouses is contained in the budget tables, Annex C. The equipment provided for the central warehouses is for calibration of measuring equipment and testing of grain samples sent in from sub-prefecture warehouses.

V. ADMINISTRATIVE FEASIBILITY

The implementing agency for this project will be the National Cereals Office, commonly referred to as OFNACER. This agency was created in 1971 by the GOUV with separate legal and financial autonomy. Its responsibilities as a national coordinating office include meeting regional cereal deficits to ease the hungry period between harvests. It has

the authority to carry out all activities to meet these responsibilities including intervention in the market to stabilize cereal prices and constitution of a national cereals stock.

OFNACER was under the Ministry of Commerce until March, 1978 when it was placed under the Ministry of Rural Development. An apparent reason for this transfer and subsequent reorganization was the GOUV's intent to have OFNACER direct its energies more to the needs of the rural poor; where beforehand it was concentrating mainly on the needs of the urban consumer.

OFNACER is governed by an Administrative Council, chaired by the Minister of Rural Development. This council, which includes members from various ministries of the GOUV, determines general policy and oversees the operations of OFNACER. The Organization Chart of OFNACER is shown in Annex K. The Director General of OFNACER is a political appointee, as is the Director of Finance; both seem to be capable of handling their duties and are committed to the purposes of the organization. There is an impressive array of top level management who possess both the necessary educational experience and professional capabilities that their jobs demand. Even more impressive is the fact that the Directors of Commercialization, Stock Protection, Logistics, and Personnel have all been promoted within this political organization. This fact becomes important when one is considering the stability of management of OFNACER.

This summer (1979), five OFNACER employees attended the Grain Storage and Marketing Course at Kansas State University under Sahel Manpower Development funding. The project plans to send ten more participants to this course during 1980 and 1981. It is felt that this training will add significantly to the overall technical capability of OFNACER, and will give these young participants an excellent base for further advancement within the organization.

Various donors have supplied expatriate personnel in key positions to assist OFNACER management in the planning and coordination of its activities. At the present time, there is a technical consultant, supplied by the Federal Republic of Germany, assisting the organization's financial management section. The Entente Fund supplied a specialist

in marketing to advise the Director General until the project was terminated this summer. There is every indication that the management of OFNACER has been receptive to the advice and counsel of these and other expatriate personnel. A short-term consultant also funded by the Federal Republic of Germany assisted OFNACER in drawing up its plans for the 1978-79 campaign. (See Supplementary Annex I). Additional technical assistance, which is a major thrust of this project, is essential in order to upgrade the organization's planning and coordination capability.

Some weaknesses in the organization exist where certain responsibilities are not clearly delineated. Particularly, these weaknesses are evident between the Logistic and Commercialization sections with regard to transportation and purchasing of local grains. Another problem area is in the Financial Management section, where the duties of audit and reporting have not yet been clearly defined. In discussions with the Director General there is evidence that he is receptive to ideas or suggestions to improve the existing structure. The Management Information Specialist to be funded under this project will be expected to make specific recommendations to improve the coordination of OFNACER's activities.

One component of the project will be the contribution of 24,000 MT. of PL 480 grain, in addition to a 5,000 MT. shipment in 1977 and a 10,000 MT. shipment in 1978. The proceeds from the sale of these grains will be deposited in a counterpart fund, from which disbursements will be made for warehouse construction and purchase of local grain. OFNACER has the capability, in terms of manpower and equipment, to distribute the PL 480 grain. The construction of the 30 warehouses over the three years of the project will improve the efficiency of its warehousing operations; especially in those areas now lacking a central warehouse and where OFNACER currently is renting several small, inefficient warehouse facilities.

OFNACER has a satisfactory system of accounting for its nationwide activities. Every month reconciliation of sales and inventory is received in the Ouagadougou office from each sales station. This system makes it possible to know at the end of each month the sales and the available stock, by product, for each sales center. OFNACER's accounting system also allows for the separate accounting of each individual donor's contribution. Therefore, there should be no problems encountered in accounting for the sales and

inventory of the PL 480 stock. Although the financial and control data accumulated by OFNACER is sufficient, there still remains a weak system of data collection for annual crop yields, outputs, long-term monthly patterns of rainfall, temperature and relative humidity by meteorological reporting station, long-term price patterns by grain and market area, long-term production and consumption trends by grain and area, and world grain supply and demand conditions, with special emphasis on conditions in neighboring countries. This type of data collection is essential in improving their grain marketing strategy. This shortcoming is discussed in further detail in supplementary Annex II.

It will be important for the USAID project manager to monitor the sales and inventory of the PL 480 grain on a monthly basis. This monitoring will insure that monies from the sales of the PL 480 grain are used only for project purposes and also that the correct "mix" of funds are spent for purchase of local grains, warehouse construction, and the funding of participant training. In order to accomplish this type of monitoring, a monthly report on the status of the PL 480 stock from OFNACER to USAID is imperative. Currently, OFNACER has no such monthly status report but has the accounting capability and personnel to produce one with some improvements in coordination within the Financial Management section. A timely monthly status report requirement will be included as a covenant in the Project Agreement.

The activities funded under this project are compatible with the role of OFNACER. AID's input into the organization will strengthen OFNACER's capabilities in meeting regional cereal deficits and assist OFNACER to ease the hungry period between harvests for the poorest of the rural poor.

VI. ENVIRONMENTAL CONCERNS

The PID review did not call for an environmental assessment, but it requested a discussion of insecticides and fumigants used by OFNACER be included in a revised IEE. The chemical insecticides used by OFNACER are not approved for use with grain by USEPA. The fumigant, phostoxin is used throughout the U.S. for bulk grain storage and is approved by USEPA

An OFNACER mobile stock protection team applies the chemical insecticides and fumigant using procedures to safeguard the health of the team, the warehouseman and laborers. Warehousemen are trained in the use of these insecticides so as to know what precautions to take, but only the trained mobile team treats the warehouses and grain. Fumigation with phostoxin does not introduce any danger to the consumer of grain once the warehouse has been aerated after the treatment. A more complete description of the chemicals in use is contained in the revised IEE, Annex B.

Section 216.3(b)(1) of Regulation 16 States "except as provided for in Section 216.3(b)(2), all proposed projects involving assistance for the procurement or use, or both, of pesticides shall be subject to the procedures prescribed in Section 216.3(b)(1)(i) through (v) below." It is almost impossible to maintain pest-free grain warehouses without treatment by chemical insecticides.

German assistance provides adequate training equipment supervision for the mobile treatment teams. However, the German project provides OFNACER with chemical insecticides which are not approved for use with grain by USEPA. 1/ The Mission believes that it would violate the intent of the regulation to argue that we would not be providing assistance for the use of pesticides by building grain warehouses, since grain warehouses must be treated with pesticides. Therefore, the prescribed procedures under Section 216.3 (b) (1) will be followed.

So as not to delay the construction of rural warehouses or the provision of technical assistance to OFNACER, we propose to proceed as described in Section 216.3 (b) (1) (v). Since the pesticides to be procured for use in the AID-financed warehouses cannot be identified at this time, the project will include financing for a pesticide specialist to fulfill the requirements of Section 216.3(b)(1), and consulting to demonstrate proper use of the USEPA approved pesticides to the OFNACER mobile team. Neither the procurement nor the use of the pesticides shall be undertaken unless approved, in writing, by the Assistant Administrator.

1/ One is approved for use only with peanuts by USEPA.

Annex B, the revised IEE, contains further discussion of the chemicals used by OFNACER and the procedures that OFNACER has agreed to follow with respect to the use of chemical insecticides in the warehouses financed through this project.

VII. FINANCIAL PLAN

The project has two USG funding components - funds from the sale of PL 480 grain and direct AID grant funds. The total AID contribution to the project will amount to \$6,939,000.

PL 480 Funds

Funds from the sale of PL 480 grain will originate from the following shipments:

<u>Tonnage</u>	<u>Year of Shipment</u>
5,000 MT.	1977
10,000 MT.	1979
12,000 MT.	1980
<u>12,000 MT.</u>	1981
TOTAL 39,000 MT.	

Proceeds from these sales will be deposited in a counterpart fund to provide support to OFNACER in the construction of 30 warehouses at selected sites throughout the country, to establish a rolling fund for the purchase of local grain, and to provide support for local and 3rd country training of OFNACER participants. Table 1 shows the project source and application of funds of the PL 480 component of this project.

The basic cost of constructing each warehouse has been estimated by a REDSO/WA engineer at \$48,000. An average \$6,000 has been added for additional costs of transportation, in addition to a 15% contingency and a 10% annual inflation rate, which brings the total average cost for each warehouse to approximately \$75,000. Ten warehouses will be constructed in 1980 at an estimated cost of \$683,000, an additional 10 will be completed during 1981 at a cost of \$758,000, and the final 10 warehouses will be completed during 1982 at a cost of \$826,000. Construction of the warehouses will be

performed by Voltaic construction firms and will be supervised by GOUV engineers from the Ministry of Rural Development (H.E.R.). Table 2 demonstrates the availability of the funds for construction. The GOUV will contribute the land and supply a warehouseman for each of the 30 warehouse sites. At the end of the third year of the project, the rolling fund will have enough funds available to enable OFNACER to purchase approximately 10,000 MT. of local grain to aid the GOUV in its commitment to stabilize the grain market. As depicted in Table 1, the rolling fund will have approximately \$2,166,000 available for this purpose.

TABLE 1

Projected Source and Application of PL 480 Funds
(\$ 000)

<u>Source 1/</u>	<u>Tonnage</u>	<u>Gross Sales</u>	<u>Admin. Costs</u>	<u>Net Sales</u>	<u>Less 2/ Margin</u>	<u>Available Cash</u>
1977 PL 480 3/	5,000 MT					332.5
1979 PL 480	10,000 MT	2,238.1	809.5	1,428.6	214.3	1,214.3
1980 PL 480	12,000 MT	2,857.1	1,142.9	1,714.2	257.1	1,457.1
1981 PL 480	12,000 MT	3,085.7	1,257.1	1,828.6	274.3	1,554.3
TOTAL SOURCE OF FUNDS						4,558.2
<u>Application</u>		<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>		<u>Total Applied</u>
Warehouse Construction		683.0	758.0	826.0		2,267.0
3rd Country Training			60.0	65.0		125.0
Rolling Fund		863.8	639.1	663.3		2,166.2
TOTAL APPLICATION OF FUNDS						4,558.2

1/ The following prices were used in determining sales and administration costs for red sorghum:

	1979	1980	1981
Buying Price	30	30	32
Administrative Costs	17	20	22
Selling Price	47	50	54

2/ Margin for loss, spoilage, or emergency free distribution of grain has been set at 15% of the buying price.

3/ Initial \$332,500 of PL 480 funds resulted from the sales of a 1977 5,000 MT. shipment. Annex L shows a letter from the American Ambassador to Upper Volta giving GOUV the authority to purchase local grains with these funds.

As shown in Table 2 during the course of the project, there should be no cash flow problem, in regards to the use of PL 480 funds. There should be close coordination between USAID and OFNACER in determining amounts to be spent from the rolling fund for local grains to insure that sufficient monies are available for warehouse construction.

Direct AID Grant Funds

The total AID grant to the project will amount to \$2,381,000. Support to OFNACER will include 1 agricultural economist (3 years) and 1 management information specialist (1 year) in addition to a short term consultant to aid in the selection of the initial 10 new warehouse sites and short-term consultants for different aspects of marketing.

The grant will also provide support for an extensive market study over two years of the project. The study will cover both the modern and traditional sectors of grain marketing in Upper Volta, and will employ approximately 30 local personnel over the life of the study.

Equipment for the 30 newly constructed warehouses will be provided by these grant funds. The average cost of equipping each warehouse will be approximately \$10,000. Two vehicles will also be procured for use by the U.S. technicians. The project will fund the training of 5 local participants each year at Kansas State University in 1980 and 1981. Under Sahel Manpower Development funding, 5 participants were enrolled at this grain marketing course at K.S.U. in 1979. It is felt that the experience gained from this course will be a valuable tool for OFNACER to carry out future grain marketing strategy. The life of project budget for AID direct grant funds are shown in Annex C, Table II.

GOUV Contribution

The GOUV direct contribution to this project is estimated at \$237,000. This amount includes the staffing of a warehouseman at each of the 30 new warehouses, and the contribution of land for each warehouse. The GOUV will also be contributing administrative support and transportation costs of the PL 480 grain. It would be superfluous to quantify the indirect support costs since OFNACER will not be expanding its administrative staff or transportation equipment because of the influx of PL 480 grain. However, the OFNACER operation which this project supports has a \$2.5 million annual operating budget.

TABLE 2

Cash Flow Analysis of PL 480 Funds
(\$ 000)

<u>Date</u>	<u>Activity</u>	<u>Receipts</u>	<u>Disbursement</u>	<u>Balance</u>
10/79	1977 PL 480 Sales	332.5		332.5
8/79-11/79	1979 PL 480 Sales	1,214.3		1,546.8
12/79- 1/80	Local Grain Purchase from Rolling Fund		863.8	683.0
6/80	Construction Completed		683.0	—
5/80-10/80	Proceeds from Sales of Rolling Fund Grain 1980 PL 480	863.8 1,457.1		2,320.9
11/80- 2/81	Local Grain Purchases from Rolling Fund		1,502.9	818.0
11/80	Participant Training		60.0	758.0
6/81	Construction Completed		758.0	—
5/81-10/81	Proceeds from Sales of Rolling Fund Grain 1981 PL 480	1,502.9 1,554.3		3,057.2 3,057.2
11/81- 2/82	Local Grain Purchases from Rolling Fund		2,166.2	891.0
11/81	Participant Training		65.0	826.0
2/82	Construction Completed		826.0	—
5/82-10/82	Proceeds from Sales of Rolling Fund Grain	2,166.2		2,166.2

TABLE 3
(\$ 000)

Project Budget Summary

U.S. Contribution	\$6,939
GOUV Contribution	<u>237</u>
TOTAL PROJECT COSTS	\$7,176

VIII. IMPLEMENTATION PLAN

Effective implementation of this project depends upon timely arrival of technical assistance personnel who will help OFNACER to identify storage needs and improve the efficiency of its operations. Critical storage bottlenecks will be identified by a short-term expert soon after the Project Agreement is signed. Host country contracting will be used for construction of sous-prefecture storage facilities.

Project implementation also depends upon the generation of PL 480 counterpart funds by OFNACER for construction and local grain procurement activities. As described in the financial plan, a margin for loss, spoilage and possible free distribution 1/ has been allowed so that the requisite counterpart funds are very likely to be generated.

U.S. procurement of technicians and commodities will be carried out by USAID and AID/W (PIO/T's) and by a U.S. procurement agency such as the Afro American Purchasing Center (PIO/C's). Local procurement will be carried out by the host country.

An implementation schedule is presented in Annex H. Responsibilities for implementation are discussed in the Section on Administrative Feasibility. A procurement plan for the project is laid out in Annex I.

IX. EVALUATION ARRANGEMENTS FOR THE PROJECT

Basic monitoring of project progress will be done by the agricultural economist after he/she arrives. Part of the data required for project evaluation is already generated 1/ Free distribution is excluded with Title III, but by law cannot be excluded from Title II distribution.

through OFNACER record keeping. It will be the agricultural economist's responsibility to develop a system of operational base-line data collection with market information relevant to OFNACER's resource allocation decisions. This data will be useful in evaluating the impact of OFNACER's interventions in specific markets and in assessing the efficiency of OFNACER's operations.

Market data and OFNACER records will be inputs to the two in-depth evaluations to be conducted at the end of the second and third years of the Project. The first is scheduled to take place after the completion of the 1980-81 buying campaign. It will suggest ways in which the market information and crop situation data collection process can be improved to enhance OFNACER's performance in the next buying campaign. It will also examine data from the study of national grain markets to ensure that the role of women in grain marketing is sufficiently well described. To enable the second evaluation to begin to assess the impact of OFNACER's activities on women's participation in grain markets. It takes place late enough to give our technical assistance time to implement some changes in the decision-making process. The second evaluation will take place a year later to assess what modifications have been made, determine if OFNACER is becoming more efficient and recommend the development of a follow-up project if warranted.

The purpose of both in-depth evaluations will be to assess project activity and gauge its effect on OFNACER's operations, and in the second evaluation assess the impact of OFNACER on national cereal marketing in order to recommend a future course of action.

X. CONDITIONS, COVENANTS, AND NEGOTIATING STATUS

The content of this project has been discussed in detail with OFNACER and the Ministry of Rural Development and they have agreed to its terms and conditions. Obligation of project funds is scheduled for fiscal years 1980, 1981, and 1982. Every effort will be made in the negotiation of Project Agreement amendments to ensure that the GOUV is doing its best to implement the project. Negotiation of the Project Agreement and conditions precedent will be the responsibility of USAID/Upper Volta.

It is recommended that the following conditions precedent and covenants be included in the Project Agreement.

Conditions Precedent

1. Prior to the first disbursement of funds under the grant, or to the issuance of commitment documents with respect thereto, Upper Volta shall assign an official of OFNACER, the Ministry of Rural Development, to act as the GOUV Project Manager, who will be the counterpart and primary contact for the AID project manager.
2. Prior to the disbursement of funds for any building construction activity financed under the grant (except disbursement of funds required to prepare plans and specifications), or to the issuance of any disbursement documents with respect thereto, the cooperating country shall furnish to AID, in form and substance satisfactory to AID, the following:
 - a) plans, specifications, bid documents, and time schedules for such construction activity;
 - b) an executed contract for construction services for such activity with a firm acceptable to AID;
 - c) a description of the arrangements for a public agency of the cooperating country, or other arrangements satisfactory to AID to provide construction supervision services for such activity; and
 - d) evidence that the GOUV has acquired any permits, licenses, privileges, easements, or rights of way necessary to provide utility services to the construction sites.
3. Prior to the disbursement of funds for procurement of equipment and commodities from the U.S., the GOUV will provide to AID in form and substance satisfactory to AID:
 - a) an executed contract for the services of a procurement agent or other arrangements satisfactory to AID for securing such services;
 - b) detailed specifications for equipment and commodities to be procured under the project.

Covenants

1. The GOUV will provide office space for the Economist or Agricultural Economist and local employees of the Planning Unit and for the Management Information Systems Specialist.
2. The GOUV will provide the sites for construction of grain storage warehouses in selected sub-prefectures and project management and technical personnel as necessary for the warehouse construction program.
3. Two years prior to the end of the project, the GOUV and the implementation team will develop a strategy to cover recurrent costs.
4. The GOUV will report to USAID on a monthly basis with respect to the status of the rolling fund, the distribution and sales of PL 480 grain and the utilization of PL 480 sales receipts as provided for in the Transfer Authorizations.
5. The trainees sent to Kansas State University for training in grain storage and marketing will return to work at OFNACER upon completion of their training.
6. The GOUV will use only pesticides approved by USAID in the sub-prefecture warehouses constructed through the project.
7. The GOUV will establish a record-keeping system for the sub-prefecture warehouses constructed through this project and will report to USAID on a quarterly basis to permit verification of the kinds of insecticides used, amounts applied, and dates of application for each warehouse.

ANNEX A

PID APPROVAL MESSAGE

FM: SECSTATE WASHDC

TO AMEMBASSY OUAGADOUGOU 0065

UNCLAS. SECTION 01 OF 02 STATE 092440

AIDAC

SUBJECT: GRAIN MARKETING DEVELOPMENT (686-0243) REVIEW

MAR 9, 1979

REF: STATE 62235

1. BASED ON THE COMMITTEE RECOMMENDATION THE AA/AFR APPROVED THE PID FOR FURTHER DESIGN. IN VIEW OF THE COMPLEX NATURE OF THE PROPOSED INTERVENTION, HOWEVER, FINAL PROJECT APPROVAL IS RESERVED FOR AA/AFR.

2. THE ISSUES RAISED AT THAT MEETING (AS NOTED BELOW) SHOULD BE RESOLVED DURING THE PP DESIGN:

A. WHAT EVIDENCE IS THERE WHICH INDICATES THAT THE FARMER TRADER RELATIONSHIP IS THE CRITICAL ELEMENT DEPRESSING FARM PRICES AND FARMER INCOMES?

B. IF OFNACER CAN OFFER PRODUCERS HIGHER PRICES AND RURAL CONSUMERS LOWER PRICES WHAT IS THERE WHICH MAKES OFNACER THE SUPERIOR ARBITER RELATIVE TO THE PRIVATE TRADING SYSTEM?

C. WHAT IS EXPECTED INTERRELATIONSHIP BETWEEN PROJECT PURCHASES OF 10,000 TONS OF GRAIN AND OFNACER'S OTHER PURCHASES OF ANOTHER 20,000 TONS? (PID P. 14/15)

D. WHAT IS THE RELATIONSHIP TO ORD FOOD PURCHASES?

E. IS OFNACER THE BEST CHOICE FOR THESE FUNCTIONS? WHAT ARE THE ADVANTAGES AND DISADVANTAGES?

F. WILL ANY FORM OF THE BAREME STRUCTURE BE RETAINED?

G. WHAT IS THE EXPECTED URBAN-RURAL INTERACTION AS THE PROJECT ATTEMPTS TO CONCENTRATE ON RURAL AREAS BUT OFNACER ALSO WORKS WITH URBAN AREAS?

H. WHY IS INCREASING STORAGE A MAIN OBJECTIVE IF FARMERS ALREADY HAVE TWO TO THREE YEARS STORAGE CAPACITY?

I. WILL GRAIN-DEFICIT FARMERS PRODUCE MORE IF THEY HAVE ACCESS TO MORE STORAGE?

J. DO GRAIN-DEFICIT FARMERS GROW OTHER CROPS FROM WHICH SOME INCOME IS USED TO PURCHASE FOOD GRAINS?

K. CAN THE PRIVATE TRADING SYSTEM'S INEFFICIENCY BE TRACED TO GOVERNMENT REGULATIONS, POOR ROADS OR FACTORS OTHER THAN MONOPSONY/MONOPOLY CONTROLS?

L. COULD AN IMPROVED AND EXPANDED SMALL FARMER CREDIT PROGRAM BE A VIABLE ALTERNATIVE TO ALLEVIATE FARMERS' PROBLEMS DURING THE "SOUDURE"?

M. IS THERE REALLY A NEED FOR MORE VILLAGE LEVEL STORAGE?

N. IS THERE SUFFICIENT ASSURANCE THAT THE GOUV WILL ESTABLISH AND MAINTAIN PRICE POLICIES WHICH DO NOT FAVOR THE CONSUMER OVER THE FARMER?

O. THE PROPOSED SUPPORT FOR A GOVERNMENT CONTROLLED MARKETING SYSTEM MIGHT HARM OR EVEN DISPLACE RATHER THAN COMPLEMENT EFFORTS TO CREATE A BETTER FREE MARKET SYSTEM.

P. WOULD A LARGER MORE POWERFUL OFNACER INCREASE THE POTEN-

TIAL FOR FARMER EXPLOITATION BY, AMONG OTHER THINGS, IMPOSING LOW PRICES AND GIVING GREATER PRIORITY TO FOOD FOR URBAN AREAS FOR POLITICAL REASONS?

Q. IS IT ESSENTIAL THAT OFNACER BE WELL MANAGED AND MEET ITS OPERATING AND FIXED COSTS FOR THE PROJECT TO BE SUCCESSFUL (THE PP DESIGN SHOULD ADDRESS HOW WELL-QUALIFIED MANAGEMENT PERSONNEL WILL BE RECRUITED AND RETAINED, AND IT SHOULD CONTAIN A CAREFUL ANALYSIS OF OFNACER'S FINANCIAL VIABILITY).

3. THE PP DESIGN WILL ALSO HAVE TO ESTABLISH IF THERE IS AN APPROPRIATE ATMOSPHERE FOR SUCH A PROJECT. ATTITUDES OF FARMERS TOWARD PRODUCTION INCENTIVES AND MOTIVATIONS ARE ESSENTIAL. A FIRM EVALUATION OF OFNACER'S NEW POTENTIAL FOR SUCCESS WILL BE REQUIRED. THE NATURE OF THE RISKS, AND SIGNS OF SUCCESS OR FAILURES, WILL NEED TO BE IDENTIFIED.

4. OTHER CONSIDERATIONS OR OBSERVATIONS NOTED BY THE COMMITTEE:

A. SINCE THE IEE DID NOT ADDRESS WHETHER AND THE EXTENT, TO WHICH CHEMICALS (I.E. PESTICIDES) WILL BE USED IN THE GRAIN STORAGE WAREHOUSES, A REVISED IEE MUST BE SUBMITTED. PESTICIDES POTENTIALLY HARMFUL TO HUMANS HAVE BEEN UTILIZED IN OTHER SIMILAR PROJECTS. IF PESTICIDES ARE TO BE EMPLOYED, FULL COMPLIANCE WITH SECTION 216.3(B) OF REG 16 WILL BE REQUIRED (SEE AID HANDBOOK 3, APP.4 B).

B. WOMEN AND RURAL POOR AS BENEFICIARIES COULD BE BETTER HIGHLIGHTED. THE ROLE OF WOMEN AS PARTICIPANTS AND BENEFICIARIES WAS NOT ADEQUATELY ADDRESSED IN THE PID (SEE P. 7) AND SHOULD BE ELABORATED IN THE PP. CONCERNING BENEFICIARIES GENERALLY,

THE PP DESIGN SHOULD ELABORATE ON THE GOUV'S COMMITMENT TO ASSIST RURAL POOR CONSUMERS THROUGH THIS PROJECT, PARTICULARLY IN LIGHT OF OFNACER'S BREAK EVEN PRICING POLICY AND THE LIKELIHOOD THAT HIGHER PRICES MAY BE AVAILABLE IN THE URBAN CONSUMER MARKETS. (THE COMMITTEE RECOGNIZES THE INHERENT PROBLEM IN THE EFFORT TO MAXIMIZE OFNACER'S FINANCIAL INDEPENDENCE WHILE PROVIDING LESS THAN MARKET PRICES TO RURAL CONSUMERS).

C. THE PP DESIGN SHOULD ADDRESS HOW THE IMPACT OF AID SUPPORT OF OFNACER CAN BE MAXIMIZED THROUGH LINKAGES WITH THE GERMAN AND BADEA PROJECTS, INDICATE THE DURATION OF THOSE PROJECTS AND REVIEW WHETHER THE GOALS AND PURPOSES OF SUCH PROJECTS ARE COMPLEMENTARY WITH AID'S.

D. CONGRESSIONAL NOTIFICATION WILL BE REQUIRED PRIOR TO OBLIGATION OF FUNDS, SINCE FIRST YEAR BUDGET EXCEEDS AMOUNT INDICATED IN FY 80 CP.

E. FARMER ATTITUDES ON SALE TO GOVERNMENT DURING BUYING CAMPAIGNS WILL NEED TO BE IDENTIFIED.

F. THE EFFECT OF GRAIN LEAKING INTO GHANA, MALI, AND OTHER COUNTRIES WILL NEED TO BE EVALUATED IN TERMS OF PROJECT STRATEGY.

E. ADDITIONAL CONSTRUCTION INFORMATION ON SITES AND A 611A STATEMENT WILL BE REQUIRED.

5. COMMENTS PERTINENT TO PL 480 FOOD HAVE BEEN, PROVIDED IN STATE 62235. THE COMMITTEE NOTED THAT THE FOOD REQUIREMENTS WOULD BE ACTED ON SEPARATELY. HOWEVER, THE PROJECT DESIGN WILL HAVE TO COORDINATE/INTEGRATE THE RESOURCES AS APPROPRIATE.

6. IN VIEW OF THE COMPLEX NATURE OF THE PROPOSED MARKETING ..

INTERVENTION, THE COMMITTEE RECOGNIZED THE IMPOSING AMOUNT OF ANALYTICAL WORKS WHICH REMAINED TO BE ACCOMPLISHED BEFORE THE PP COULD BE SUBMITTED TO AA/AFR FOR APPROVAL. EVIDENCE IS REQUIRED WHICH SUGGESTS THAT THE STRATEGY HAS A REASONABLE CHANCE OF SUCCESS. VANCE.

ANNEX B

Initial Environmental Examination (Revised)

Project Location: Upper Volta (nationwide)

Project Title: Grain Marketing Development (686-0243)

Funding: \$7,176,000 (FY 80 - FY 82)

Life of Project: 1980 - 1983

IEE Prepared By: James Smith Date: February 14, 1979

IEE Revised By: James Smith Date: August 2, 1979

Environmental Action Recommended:

That the project will not have a significant deleterious effect on the environment, and therefore a negative determination is appropriate.

No environmental assessment is required beyond the initial environmental examination (IEE).

Concurrence: Richard C. Meyer Date: 8-26-79
Acting Mission Director

Assistant Administrator's Decision: _____

Date: _____

A. Description of Project

This project will supply the national cereals office (OFNACER) with offices in regional centers and warehouses in rural administrative centers called "sous-prefectures". It will also constitute a fund for the annual purchase of 10,000 tons of locally produced cereals, chiefly millet and sorghum. The experimental part of the project will permit the expansion of traditional storage capacity at the farm and village level. 1/

The project is national in scope with construction of 50 to 250 metric ton warehouses envisaged in all subprefectures where OFNACER must now rely on general purpose government warehouses not suited for grain storage and treatment. The warehouses are small to increase ease of stock manipulation, reduce costs of grain treatment, and require less sophisticated warehouse management.

The experiment in increasing traditional grain storage capacity will be conducted in one or more ORDs to be selected during PP design. Grants will be extended to village groups wishing to construct small warehouses for a cereals bank. OFNACER will purchase these farmers' grain and leave it with them for storage. Later in the year, the farmers will have the option of repurchasing their own grain or delivering it to OFNACER. There is no intention to introduce any new storage techniques or to improve upon the very satisfactory traditional methods.

The location of the overall project is the rural areas of the entire country through the more effective application of a floor price for cereals and a ceiling price to protect rural consumers from rises in grain prices. The countryside in Upper Volta varies from the relatively good soils of the western and south-western savannah to the mediocre soils of the Mossi plateau to the sahelian north. Population pressure is great on the Mossi plateau while the southwest and south-east are relatively sparsely populated. About 88% of crop land is planted in food grains with the remaining 12% in cash crops such as peanuts, cotton, and sesame. Land planted to cash crops varies from as much as 29% of crop land in the southwest to as little as 2% in the Sahel.

About 60% of all arable land is devoted to pastura. Of the 40% set aside for agricultural use, less than a third was planted in 1975. The proportion of agricultural land planted in any crop year is gradually increasing as the population grows. Proportions of agricultural land planted range from lows of 12 and 14% in the southwest and southeast to a high of 71% in the north.

1/ As discussed in the Project Description, the grain bank component of the project has been eliminated in final design.

B. Identification and Evaluation of Environmental Impacts

This project contributes to a larger effort by OFNACER to offer an attractive producer price for food grains and to intervene in rural markets to reduce consumer prices. If this effort is successful, several changes can be expected in rural areas. It is likely that more land will be planted in food grains to take advantage of the higher producer price. The increase in food grain acreage will be accomplished by putting more fallow land into production, but also by substituting food crops for cash crops in many instances. This latter effect will occur because planting times for favorable yields are often in conflict between food and cash crops, so the farmer must choose according to which crop is more profitable. Thus the total increase in cultivated land will be less than the simple increase in land planted in food grains.

Increase in land use and the reduction of fallow time for land can be expected to further impoverish the soil. However, this effect is also partially counterbalanced to the extent that millet is substituted for cotton, for example. Since cotton takes more out of the soil than millet, a shift from cotton to millet will reduce demands placed on the soil. This effect partly offsets the deleterious effect of expanding crop land.

The effects on soil fertility are also likely to be different depending on the region of the country. The greatest increases in production are likely to occur in the southwest where there is a high percentage of land left fallow each year and where yields are highest. The impact on soil fertility is likely to be small in this region since restorative fallow periods will remain quite long. In other regions with lower yields and poorer soils, increases in land planted and production are likely to be more modest. The impact on soil fertility will also be negative but small. However, to the extent that higher prices encourage more intensive manuring to raise yields, the negative impact on soil fertility could be quite small indeed.

Other environmental impacts are social, economic, and cultural in nature. These impacts can all be expected to be positive with the possible exception of a small negative impact on foreign exchange earnings from a decline in export crops. An increased producer price for millet and sorghum is likely to result in increased production of food crops and higher farm incomes. To the extent that farmers find millet more profitable to grow than cotton or peanuts, they may substitute millet for these crops. Farmers will attempt to

increase their incomes by substituting millet for other cash crops and by expanding total acreage. As millet is substituted for cash crops, the export earnings of Upper Volta may fall. This may be partially compensated by increased exports of millet. However, the farmer is certain to enjoy a higher level of income.

Increasing production of food crops will increase the demand for agricultural labor and make farming a more attractive occupation. Farmers' self-esteem will increase because the national government says by its price policy that his production is important to national well-being. Intervention in rural consumer markets will increase the purchasing power of rural consumers. Thus the cultural, economic and social impacts at the farm level are all positive.

Finally, increased availability of food in rural areas, particularly at lower prices during the periods of food shortage, will improve the nutritional status of the population by increasing consumption to more normal levels. In the hungry period, because stocks are low, many farm families restrict consumption as their cereal supplies dwindle, sometimes eating only once a day. The availability of grain at lower prices will enable such families to increase their caloric intake and maintain a higher level of resistance to disease and improve productivity during the crucial hungry period.

These impacts are identified, evaluated, and further discussed in Table I and Section C below.

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Identification and Evaluation^{2/}

Impact Areas and Sub-Areas^{1/}

A. LAND USE

1. Changing the character of the land through:

a. Increasing the population----- N

b. Extracting natural resources----- N

c. Land clearing----- L

d. Changing soil character----- L

2. Altering natural defenses----- N

3. Foreclosing important uses----- N

4. Jeopardizing man or his works----- N

5. Other factors

Increased food grain production----- H+

B. WATER QUALITY

1. Physical state of water----- N

2. Chemical and biological states----- N

3. Ecological balance----- N

4. Other factors

1/ See Discussion of Impacts following this form

2/ The following symbols have been employed:

- N - No significant environmental impact
- L - Little significant environmental impact
- M - Moderate significant environmental impact
- H - High significant environmental impact
- U - Unknown environmental impact
- + - Indicates significant impact is positive

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- 1. Air additives----- N
- 2. Air pollution----- N
- 3. Noise pollution----- N
- 4. Other Factors

D. NATURAL RESOURCES

- 1. Diversion, altered use of water----- N
- 2. Irreversible, inefficient commitments--- N
- 3. Other factors

E. CULTURAL

- 1. Altering physical symbols----- N
- 2. Dilution of cultural traditions----- N
- 3. Other factors:
 - Increased self-esteem for rural
producers and consumers----- M+

F. SOCIOECONOMIC

- 1. Changes in economic/employment patterns-- L+
- 2. Changes in population----- N
- 3. Changes in cultural patterns----- N
- 4. Other factors:
 - Increased purchasing power of rural
producers and consumers----- H+

C. Discussion of Impacts

The specific impacts identified in the table are discussed below.

1. Land Clearing

The impact is low for two basic reasons:

- a) Otherwise fallow agricultural land will instead be kept in production. Such land has already been cleared;
- b) Some land devoted to other crops will instead be used to grow food grain.

These two factors reduce the need to clear more land for purposes of expanding acreage in food grain.

There will also be some land-clearing for the construction of small warehouses, village cereals banks, and regional offices. The amount of land involved is small and scattered throughout the country. The clearing of small plots of land and construction of small structures are not expected to have any significant impact on noise or air pollution nor are these activities expected to permanently change the environment in any significant fashion. The usual precautions will be taken to ensure that title to the land is free and clear and that the land is not sacred or required for a traditionally-sanctioned purpose.

2. Changing Soil Character

Increasing the area planted to food grain by reducing fallow periods clearly has a negative impact on soil fertility. However, Upper Volta need increase current per capita foodgrain production by only 5% and then maintain an annual increase equal to population growth to achieve food self-sufficiency. Thus the impact on soil quality is expected to be negative, but small.

Two factors partially offset this negative impact. Substituting millet and sorghum for cotton will reduce the demands on the soil, but the reverse is true if millet and sorghum are substituted for peanuts or soybeans. The effect of substitution is thus ambiguous. A second factor is the increased use of manuring as a

result of the increase in food crop profitability. This would clearly restore some of the nutrients required for the increase in food grain production.

In any event, efforts by the agricultural extension service (basically outside the scope of this project) will necessarily focus on the need to protect against a decline in soil fertility if sustained food production increases are to be achieved.

3. Increased Foodgrain Production

The project is not directly responsible for the entire increase in grain production, but it contributes to the effort to apply remunerative producer prices. The impact of this larger effort is expected to be strongly positive.

4. Increased Farmer Self-Esteem

A national policy raising the prices offered for the farmer's output gives farmers a sense of importance in the life of the nation. Receiving a better return on their productive activities will have a beneficial impact on the rural citizen's estimation of a farmer's prestige. People from the bush are too often looked down upon by their educated relatives in the city. A national policy favoring farmers and increased farm income may improve the city slicker's attitude toward his country cousins. In addition, improved rural consumer prices for grain and/or schemes which might afford the rural farmer credit to meet his/her food needs during the "hungry" season without succumbing to the economic disadvantage and humiliation of borrowing from private merchants who charge very high interest rates will go a long way toward increasing the self-esteem of the rural farmer.

5. Changes in economic/employment patterns

The increased demand for food grain at the farm and village level and the subsequent expansion of acreage will require the use of more labor. It will also encourage the adoption of techniques such as animal traction which is a more capital intensive method. Thus the increase in demand for agricultural labor is likely to be small but positive.

6. Increased Purchasing Power

By receiving a higher price for millet and sorghum farmers will be able to increase their income and so command more goods and services provided in urban areas. Rural consumers will be able to purchase food grain at lower prices thereby increasing the real purchasing power of their income.

7. Improved Nutrition

The availability of grain at lower prices will encourage greater consumption of grain and also will allow consumers to purchase other kinds of food such as meat. That is, consumers will use the increase in purchasing power due to lower grain prices to purchase more grain, more of other foods, and other goods and services. The net result will be an improvement in the nutritional status of the population. Since OFNACER grain is sold primarily toward the end of the crop year, the impact on nutrition will be most significant during the time when grain supplies and consumption are at their lowest. Thus, the impact on nutrition will be strongly positive.

8. Insecticides and Fumigants

OFNACER currently uses two insecticides and a fumigant to exterminate insects in their warehouses and to treat grain which has been attacked by insects. They are:

- Nexion XP 40 -- a powder insecticide used as a pulverizer
- Actellic -- a liquid insecticide used for spraying warehouses
- Phostoxin -- a fumigant whose tablets dissolve to form Phosphine gas

The procedures which OFNACER uses in their application are described below. They are procedures which are recommended for safe insecticide use in the United States.

Nexion XP 40 is applied by dusting surfaces of filled sacks using gloves and a filter made to cover nose and mouth.

Actellic insecticide (Pyrimiphos methyl). This spray is used in a mixture of 2% active matter and applied with a motorized sprayer until the product starts to run down the walls and puddle on the floor. It is also used to treat wooden palettes. This application may be

repeated every 8 weeks. Finally, it is used in foggers to fight moth infestations.

Phostoxin is a fumigant since its tablets disintegrate to form a phosphine gas. One to one and a half tablet per cubic meter of storage space are used. The whole operation (distribution of tablets, covering of piles with tarpaulins and closure of building) is accomplished in one hour. After seven days the mobile team equipped with gas masks opens the doors and uncovers the piles and aerates the warehouse for at least 24 hours before moving the grain.

The insecticides and fumigants are applied by a trained mobile team which carries out regular disinfection of warehouses and responds to insect infestations reported by warehousemen. The team uses equipment obtained through the FRG security stock project and has a supply which appears to be more than adequate, including gas masks and cannisters.

While the procedures for insecticide use are acceptable, the two insecticides now used by OFNACER are unacceptable for use in this project. Nexion XP 40 is not approved by the Environmental Protection Agency for use in the U.S. even though it is relatively non-toxic. OFNACER has agreed to use a substitute insecticide approved by EPA for use in the United States. The only insecticides approved by EPA are of the following bases:

- Synergized Pyrethrins
- Diatomaceous Earth (ground silica)
- Malathion

An insecticide produced in the United States using one of these bases will be procured for use in U.S. financed warehouses.

Actellic or Pyrimiphos methyl is used in motorized sprayers. It is a very stable insecticide, that is, it has a very long residual effect. However, it is approved by EPA for use with peanuts only. Its use is restricted, but not banned. Nonetheless, OFNACER has agreed to use a substitute which will be selected from the approved EPA list for use with food grains.

Phostoxin poses no problem. It is universally used throughout the U.S. for bulk grain storage. Therefore, OFNACER will continue to employ this fumigant where necessary to control insect infestation of grain.

OFNACER has also agreed to establish a record-keeping system for the sub-prefecture warehouses which will permit verification of the kinds of insecticides used, amounts applied, and dates of application for each warehouse as is currently done for the central warehouses. This system allows the Director of Stock Protection to verify the quantities used at different locations in order to reconcile central records of insecticide distribution with their use. It will also allow the director to determine the effects of different products on maintenance of cereal quality and to investigate the cost-effectiveness of these products in preventing losses from insect infestation.

D. Recommendation

The discussion above has indicated that the physical environmental impacts will be small and that the cultural, social, and economic impacts are strongly positive. Therefore, a negative determination is recommended.

ANNEX C
Financial Tables

TABLE I

BUDGET

I. U.S. Personnel

A) Long-Term

1) Agricultural Economist 3 years x 120,000	360,000
2) Management Information Specialist 1 year x 120,000	<u>120,000</u>
SUB-TOTAL	480,000

B) Short-Term

1) Agricultural Economists, Grain Marketing Specialists - 9-10 months x 10,000	97,000
2) Evaluators 6 months x 10,000	60,000
3) Pesticide Expert 1 month x 10,000	10,000
4) Pesticide Utilization Consultant 1 month x 10,000	<u>10,000</u>
SUB-TOTAL	177,000

C) Market Studies

1) Economist	210,000
2) Economic Anthropologist	210,000
3) Vehicles (2)	40,000
4) POL/maintenance	28,000
5) Supervisors/interviewers	120,000
6) Research materials	20,000
7) Data processing	20,000
8) Translation/reproduction	<u>30,000</u>
SUB-TOTAL	678,000

TOTAL TECHNICAL ASSISTANCE

1,335,000

II. Commodities

A) Vehicles (U.S.)

2 Four-wheel drive vehicles 40,000

B) Equipment-Central Warehouse (U.S.)

2 Hot air ovens (240 V, 50 HZ) 1,600
20 Thermometers (0° C to 120° C) 100
8 Rubber stoppers 4
4 Lab Scales (550 gram each) 400
Transportation (62%) 1,304

SUB-TOTAL 3,408

C) Equipment-Subprefecture Warehouse (U.S.)

60 Tarpaulins (15m x 15m) 42,000
60 Tarpaulins (15m x 30m) 84,000
120 Adhesive Tape rolls (4" x 100') 1,200
1230 Sand Snakes (6' x 3") 3,200
30 Portable platform scales (500 kg) 20,000
60 Gas Masks (MSA industrial) 12,000
120 Extra phosphine cannisters for
gas masks 4,000
60 Moisture meters 22,000
120 Bag probes 2,000
240 Glass vials 1,200
60 Magnifying glasses 1,200
120 Tweasers 200
240 Petri dishes 600
30 Sets of hand sieves (sorghum, maize,
rice, millet) 6,200
30 Sling psychrometers 1,200
120 Spare thermometers for sling
psychrometer 800
180 Heavy-duty rat traps 400
60 Flash lights 500
240 Spare batteries 200
Transportation (62%) 125,922

SUB-TOTAL 329,022

D) Pesticides 107,121

TOTAL COMMODITIES

479,551

III. Training

10 Participants (K.S.U. short course) \$10,000 per participant	100,000
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IV. Other Costs

Local Salaries (6 person years) Based on Current Local Salary Levels for U.V. College Graduates	60,000
POL/Maintenance	<u>28,000</u>

TOTAL OTHER COSTS	88,000
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TOTAL	2,002,551
Inflation (10% per year)	<u>379,000</u>

GRAND-TOTAL	2,381,551
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FINANCIAL TABLES

BUDGET SUMMARY

TABLE II
(\$ 000)

<u>U.S. PROJECT COSTS--PROGRAM FUNDS</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>TOTAL</u>
1) <u>Technical Assistance</u>					
A) <u>U.S. Personnel</u>					
Agriculture Economist	60	120	120	60	360
Management Information Spec.	60	60	-	-	120
Short-Term	87	30	-	-	117
Evaluations	-	30	30	-	60
TOTAL U.S. PERSONNEL	207	240	150	60	657
B) <u>Market Studies</u>					
Modern Sector	182	157	-	-	339
Traditional Sector	182	157	-	-	339
TOTAL MARKET STUDIES	364	314	-	-	678
SUB-TOTAL TECHNICAL ASST.	571	554	150	60	1,335
2) <u>Commodities</u>					
Warehouse Equipment	139	193	-	-	332
Vehicles	40	-	-	-	40
Pesticides	12	24	71	-	107
SUB-TOTAL COMMODITIES	191	217	71	-	479
3) <u>Training</u>					
U.S. Participants	50	50	-	-	100
4) <u>Other Costs</u>					
Local Salaries	-	20	20	20	60
POL/Maintenance	7	7	7	7	28
SUB-TOTAL OTHER COSTS	7	27	27	27	88
TOTAL	819	848	248	87	2,002
Inflation - 10% per annum	81	178	82	38	379
GRAND-TOTAL	900	1,026	330	125	2,381

<u>PL 480 TITLE II FINANCING</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>TOTAL</u>
Construction - 30 Warehouses	621	621	621	-	1,863
Third Country Training	-	50	50	-	100
Rolling Fund for Purchase of local grain	807	556	543	-	1,906
TOTAL	<u>1,428</u>	<u>1,227</u>	<u>1,214</u>	<u>-</u>	<u>3,869</u>
Inflation-10% per annum	62	147	220	-	429
Inflation- 7% per annum grain	<u>57</u>	<u>83</u>	<u>120</u>	<u>-</u>	<u>260</u>
GRAND-TOTAL	<u>1,547</u>	<u>1,457</u>	<u>1,554</u>	<u>-</u>	<u>4,558</u>
TOTAL U.S. CONTRIBUTION	<u>2,447</u>	<u>2,483</u>	<u>1,884</u>	<u>125</u>	<u>6,939</u>
 <u>GOUV CONTRIBUTION</u>					
1) Personnel	17	34	51	51	153
2) Land	10	10	10	-	30
Inflation-10% per annum	3	9	20	22	54
TOTAL	<u>30</u>	<u>53</u>	<u>81</u>	<u>73</u>	<u>237</u>
TOTAL VALUE OF PROJECT	<u>2,477</u>	<u>2,536</u>	<u>1,965</u>	<u>198</u>	<u>7,176</u>

FINANCIAL TABLES

FOREIGN EXCHANGE AND LOCAL CURRENCY COSTS

TABLE III

	<u>FY 80</u>		<u>FY 81</u>		<u>FY 82</u>		<u>FY 83</u>		<u>TOTAL</u>	
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
1. <u>TECHNICAL ASSISTANCE</u>										
Long-Term	105	27	182	36	133	27	72	14	492	104
Short-Term	76	19	30	6	-	-	-	-	106	25
Evaluation	-	-	30	6	33	7	-	-	63	13
Studies	<u>239</u>	<u>161</u>	<u>209</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>	<u>332</u>
SUB-TOTAL	<u>420</u>	<u>207</u>	<u>451</u>	<u>219</u>	<u>166</u>	<u>34</u>	<u>72</u>	<u>14</u>	<u>1,109</u>	<u>474</u>
2. <u>COMMODITIES</u>										
Warehouse Equipment	153	-	233	-	-	-	-	-	386	-
Vehicles	44	-	-	-	-	-	-	-	44	-
Pesticides	<u>13</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>-</u>
SUB-TOTAL	<u>210</u>	<u>-</u>	<u>262</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566</u>	<u>-</u>
3. <u>TRAINING</u>	<u>55</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116</u>	<u>-</u>
4. <u>OTHER COSTS</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>116</u>
TOTAL	<u>685</u>	<u>215</u>	<u>774</u>	<u>257</u>	<u>260</u>	<u>70</u>	<u>72</u>	<u>53</u>	<u>1,791</u>	<u>590</u>

FINANCIAL TABLES

SUMMARY COST AND FINANCIAL PLAN

TABLE IV
(\$ 000)

<u>SOURCE</u>	<u>AID</u>		<u>GOUV</u>		<u>PL 480</u>		<u>TOTAL</u>	
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
1) <u>Personnel</u>								
<u>U.S.</u>	931	404	-	-	-	-	931	404
Local	-	60	-	153	-	-	-	213
2) <u>Commodities</u>	479	-	-	-	-	-	479	-
3) <u>Land</u>	-	-	-	30	-	-	-	30
4) <u>Training</u>								
Local and 3rd Country	-	-	-	-	-	100	-	100
U.S.	100	-	-	-	-	-	100	-
5) <u>Warehouse Construction</u>	-	-	-	-	-	1,863	-	1,863
6) <u>Other Costs</u>								
Rolling Fund	-	-	-	-	-	1,906	-	1,906
POL/Maintenance	-	28	-	-	-	-	-	28
Inflation	<u>281</u>	<u>98</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>689</u>	<u>281</u>	<u>841</u>
TOTAL	1,791	590	-	237	-	4,558	1,791	5,385

FINANCIAL TABLES

PROJECTED EXPENDITURES

TABLE V
(\$ 000)

	@ 9/30/80			@ 9/30/81			@ 9/30/82			@ 9/30/83		
	<u>Oblig.</u>	<u>Expend.</u>	<u>Pipel.</u>	<u>Cum. Oblig.</u>	<u>Cum. Expend.</u>	<u>Cum. Pipel.</u>	<u>Cum. Oblig.</u>	<u>Cum. Expend.</u>	<u>Cum. Pipel.</u>	<u>Cum. Oblig.</u>	<u>Cum. Expend.</u>	<u>Cum. Pipel.</u>
1) <u>Technical Assistance</u>												
Long-Term	132	75	57	350	350	-	510	480	30	596	596	-
Short-Term	95	95	-	131	131	-	131	131	-	131	131	-
Evaluation	-	-	-	36	36	-	76	76	-	76	76	-
Studies	400	134	266	780	496	284	780	780	-	780	780	-
2) <u>Commodities</u>												
Warehouse Equipment	153	153	-	386	269	117	386	386	-	386	386	-
Vehicles	44	44	-	44	44	-	44	44	-	44	44	-
Pesticides	13	13	-	42	42	-	136	89	47	136	136	-
3) <u>Training</u>	55	55	-	116	116	-	116	116	-	116	116	-
4) <u>Other Costs</u>	8	8	-	41	41	-	77	77	-	116	116	-
TOTAL	900	577	323	1,926	1,525	401	2,256	2,179	77	2,381	2,381	-

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project: 58
 From FY 80 to FY 83
 Total U.S. Funding 7,176,000
 Date Prepared 08/27/1979

Project Title & Number: GRAIN MARKETING DEVELOPMENT 686-0243

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To attain food self-sufficiency in Upper Volta.</p>	<p>Measure of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Increased production of food grain and other food crops by 5%. 2. Reduction of food imports and possible increase in food exports. 3. Increased farmer income. 4. Increased demand for agricultural labor. 5. Increased purchasing power of rural consumers. 6. Increased consumption of food grains and other foods to provide a more nutritionally adequate diet to rural areas. 7. Decrease in regional shortages of food. 	<ol style="list-style-type: none"> 1. Published crop production statistics. 2. Import-export reports of GOUV. 3. National Income Accounts. 4. Farm management research. 5. Rural household surveys. 6. Nutritional studies. 7. Regional food supply and population data. 	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> 1. Severe drought does not reoccur. 2. Increase in food grain production not prevented by decline of soil fertility. 3. Other food production is not reduced in order to increase food grain production.
<p>Project Purpose:</p> <ol style="list-style-type: none"> 1. To improve grain marketing conditions, increase cereal production and food security in rural areas. 2. To improve the basis for policy and operational decision making in food grain marketing. 	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. Rolling funds available to support creation of grain buffer stock to influence rural market price structure. 2. Stocks of grain available to relieve food shortages in rural areas. 3. Increased producer price for cereals provides incentive for increased production. 4. 30 warehouses with a total of 7,500 MT storage capacity completed to facilitate grain marketing transactions. 5. OFNACER fully staffed with sufficiently trained personnel for grain marketing operations. 	<ol style="list-style-type: none"> 1. OFNACER financial reports. 2. OFNACER reports on market conditions. 3. OFNACER stock reports by sub-prefecture. 4. Project reports. 5. GOUV reports on cereals policy; project reports. 6. OFNACER operational reports. 7. OFNACER and project reports. 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> 1. (a) Welfare of rural consumers continues to receive at least equal priority with welfare of urban consumers. (b) GOUV has political courage to reduce dependence on food aid as OFNACER's local stocks increase. 2. Study results, planning unit analyses, and GOUV desire to economize result in concurrence on realistic food policy goals and most economic means of achieving goals.

6. Grain marketing studies and information system readily available for policy and operational decision making in food grain marketing.
7. Planning unit organized and staffed.

Outputs:

1. TA completes market studies.
2. Personnel selected and trained.
3. Sites selected and construction started.
4. Rolling fund established.
5. Information system established.

Magnitude of Outputs:

1. Traditional and modern grain marketing studies available for informed policy decision making.
2. 15 employees trained in grain marketing and warehouse techniques; 50 locals trained in warehouse management.
3. 10 new warehouses for grain storage constructed each year.
4. \$1.5 million available for purchase of local cereals.
5. Current data readily available for up-to-date marketing actions.

1. Study reports
2. K.S.U. training certification; OFNACER and project reports.
3. Project records, site visits.
4. Bank statements, OFNACER financial reports.
5. OFNACER operational reports.

Assumptions for achieving outputs:

1. Sufficiently accurate information can be gathered for market studies.
2. Trainees and warehousemen remain with CFNACER after training.
3. Analysis of storage demonstrates need for rural warehouses.
4. Demand for cereals at official price permits sale of food aid to constitute rolling fund.
5. Analyses by management information system specialist will be translated into operational improvements.

Inputs:

AID

1. Technical Assistance
2. Commodities
3. Training
4. Other
5. PL-480
 - (a) Construction
 - (b) Training
 - (c) Rolling Fund

GOUV

1. Land
2. Personnel

Implementation Target (Type and Quantity)

AID

1. 9 $\frac{1}{2}$ p/y of Long & Short Term TA (valued at \$1.6 million).
2. Vehicles, Warehouse Equipment & Pesticides (\$566,000).
3. Locals Trained in Grain Storage Marketing at U.S. University (\$116,000).
4. Local Salaries, POL/Maintenance (\$116,000).
5. 39,000 MT (\$4.6 million - to be converted to counterpart funds)
 - (a) Warehouse Construction with 150 to 250 MT capacity (\$2.3 million).

1. Project records (PIO/T's - PIO/C's - PIO/P's)
2. Transfer authorizations.
3. Implementation letters.
4. Site visits.
5. OFNACER financial reports.

Assumptions for providing inputs:

1. Qualified, motivated personnel interested in working with cereals office long-term will be recruited.
2. Economics degree-holders available for hire by GOUV.
3. Qualified management consultant available for one year.

(b) Third Country Training
in Warehouse Management (\$125,000).

(c) Finance Purchase of Local
Grain (\$2.2 million).

GOUV

1. Sites for Construction (\$40,800).
2. Administrative Responsibilities
(\$196,200).

NOTE: Includes inflationary
provision.

ANNEX E

Statutory Criteria Checklist

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources:

Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
See Forestry Education and Development (686-0235)

HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THE PROJECT? Yes.

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653 (b); Sec. 634A.

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;

(a) through Annual Congressional Presentation

(b) is assistance within (Operational Year Budget) country of international organization allocation reported to Congress (or not more than \$1 million over that figure)?

(b) Yes

2. FAA Sec 611(a) (1). Prior to obligation in excess of \$100,000, will there be

(a) engineering, financial, and other plans necessary to carry out the assistance and

(a) Yes, see Annex F

(b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(b) Yes, see Annex F

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

N/A

4. FAA Sec. 611(b); FY 79 APP.
Act Sec. 101.

N/A

If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?

5. FAA Sec. 611(e).

Yes, see Annex G

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

6. FAA Sec. 209.

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

Project is not susceptible of execution as part of regional or multilateral project. However, the Swiss and the FRG are actively assisting OFNACER. The USAID project was designed in consultation with these two donors to complement their continuing projects. There will be coordination among the donors within OFNACER during implementation to avoid duplication of effort.

7. FAA Sec. 601(a).

Information and conclusion whether project will encourage efforts of the country to:

- (a) increase the flow of international trade;
- (b) foster private initiative and competition;
- (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
- (d) discourage monopolistic practices;
- (e) improve technical efficiency of industry, agriculture and commerce; and
- (f) strengthen free labor unions.

The project will assist OFNACER to intervene in grain markets throughout the country, thereby reinforcing the competitiveness of the grain trade and discouraging any tendencies toward local monopoly or monopsony. Improvements in grain storage techniques and market information will assist in improving the technical efficiency of the grain trading industry.

8. FAA Sec. 601(b).

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

The bulk of commodities and all the vehicles financed by this project will be purchased from U.S. suppliers.

9. FAA Sec. 612(b) Sec. 636(a).

Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Upper Volta is one of the RLDC's, the world's poorest countries. The GOUV has difficulty in meeting its recurrent budget. Nonetheless, the GOUV has agreed to furnish personnel, equipment and land valued at \$164,000. In addition, OFNACER will bear the cost of cereals operations in the project-financed warehouses.

10. FAA Sec.612(d). D

Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The U.S. has no excess local currency.

11. FAA Sec.601(e).

Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

12. FAA 79 App.Act Sec.608.

If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

No. There is not likely to be a surplus of millet or sorghum on world markets. Upper Volta is a small producer of millet and sorghum and is currently a net importer of food grain. Development of a small exportable surplus will have a negligible impact if any on U.S. producers of millet, sorghum, and other food grains.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a.
Extent to which activity will

- (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions;
- (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions;
- (c) support the self-help efforts of developing countries;
- (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and
- (e) utilize and encourage regional cooperation by developing countries?

. FAA Sec. 103, 103A, 104, 105, 106, 107.

Is assistance being made available:
(include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

1. (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

2. (104) for population planning under sec. 104(b) or health under

This project touches the heart of the Upper Volta rural economy by offering higher prices to producers of local cereals. Cereals production is a highly labor-intensive activity. It will particularly benefit poor rural farmers who are forced to sell food grains to meet monetary obligations. By providing public storage capacity in rural towns, it will decentralize national cereal stocks and increase food security in isolated rural areas.

Project is funded under Sahel Development Project.

sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health costs, commercial distribution systems and other modes of community research.

3. (105) for education, public administration, or human resources development; if so, extent to which activity strengthens non-formal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development.

4. (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) Is appropriate effort placed on use of appropriate technology?

Yes. Regional grain storage represents an appropriate grain storage strategy in rural Upper Volta.

d. FAA Sec. 110(a).

N/A for SDP Projects

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

e. FAA Sec. 110(b).

No

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

f. FAA Sec. 281(b).

Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and an political processes essential to self-government.

Upper Volta is a net importer of food grains, yet it has the potential to become a net exporter of food. The people of Upper Volta want to produce sufficient food to meet their own needs. The project will rely upon Voltaic farmers' response to price incentives and a better-managed national cereals office with additional university-trained planners to improve the marketing of food grain.

g. FAA Sec. 122(b)

Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth.

Yes. The project will increase the incentive for farmers to improve their productive capacity in order to produce more food grain for an expanding and competitive market supplying rural deficit areas and urban areas.

2. Development Assistance Project Criteria (Lons Only)

N/A

a. FAA Sec. 122(b).

Information and conclusion on capacity of the country to repay the

loan, including reasonableness of repayment prospects.

b. FAA Sec. 620(d).

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

3. Project Criteria Soleley for Economic Support Fund

N/A

a. FAA Sec. 531(a).

Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec.533

Will assistance under this chapter be used for military, or paramilitary activities?

4. Additional Criteria for Sahel Development Project

How will this assistance contribute to the long-term development of the Sahel region in accordance with a long-term multidonor development plan?

The CILSS and the Club du Sahel have established as first priority the attainment of regional food self-sufficiency. This project will contribute to the attainment of this goal by encouraging local food grain production and improve food security by providing a decentralized storage capacity and the analytic capability to formulate better food policy measures.

ANNEX F

611 A CERTIFICATION

R 2816242 JUN 79
FM AMEMBASSY ABIDJAN
TO AMEMBASSY OUAGADOUGOU 7596
INFO SECSTATE WASHDC 4662
UNCLAS ABIDJAN 6197
AIDAC

SUBJECT: GRAIN MARKETING PROJECT, COST ESTIMATES AND 611 (A)

1. DUDLEY HAS REVIEWED PLANS AND DATA PROVIDED BY JAY SMITH FOR CONSTRUCTION OF 30 WAREHOUSES UNDER SUBJECT PROJECT. COST ESTIMATES WERE BASED ON THE FOLLOWING:

1. EACH WAREHOUSE WILL CONTAIN ABOUT 145 SQMTRS OF SPACE.
 2. NO UTILITIES WILL BE INCLUDED.
 3. TYPE OF CONSTRUCTION WILL INCLUDE CONCRETE FLOOR, CONCRETE BLOCK WALLS, STRUCTURAL STEEL TRUSSES AND METAL OR ASBESTOS ROOFING AS INDICATED IN PLANS PROVIDED BY AGRO-PROGRESS.
 4. SINCE DEFINITIVE SITES HAVE NOT BEEN ESTABLISHED, COSTS WERE ESTIMATED USING LIST OF PROBABLE SITES PROVIDED BY SMITH, AT AN AVERAGE DISTANCE OF 5.5 HOURS FROM OUAGADOUGOU OR BOBO-DIOULASSO.
 5. CONSTRUCTION WILL BE DONE BY CONTRACT WITH LOCAL FIRMS.
 6. FINAL PLANS WILL BE PROVIDED BY AGROPROGRESS OR GOUV.
2. CONSIDERING THE ABOVE AND USING EXCHANGE RATE OF CFA F 210 EQUALS 1 DOLLAR US, THE FOLLOWING COST ESTIMATES CAN BE USED

FOR SATISFACTION OF SECTION 611 (A) OF THE FAA, ASSUMING THIS IS ONLY CONSTRUCTION CONTEMPLATED TO BE FINANCED BY AID.

(A) BASIC COST OF STRUCTURE IN OUAGADOUGOU OR BOBO-DIOULASSO	\$ 48,000
(B) ADDITIONAL COSTS FOR WORKING AT AN AVERAGE OF 5.5 HOURS FROM OUAGADOUGOU	\$ 6,000
(C) TEN PERCENT ESCALATION AND 15 PERCENT CONTINGENCY	\$ 13,500
(D) TOTAL PER UNIT	\$ 67,500
(E) TOTAL 30 UNITS	\$2,025,000

3. WILL RETURN PLANS TO SMITH BY FIRST AVAILABLE POUCH OR TRAVELER. STEARNS

Not to the reader: A copy of warehouse plans are available for consultation at the Upper Volta desk, 4531NS.

ANNEX G

611 (e) Certification

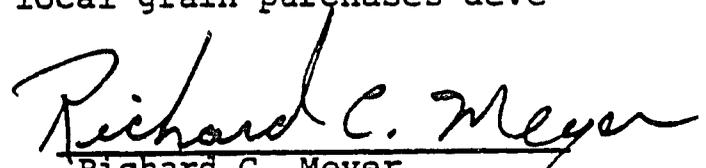
Grain Marketing Development, 686-0243

Certification Pursuant to Section 611 (e) of the Foreign Assistance Act of 1961, as amended,

I, Richard C. Meyer, Acting USAID Mission Director for Upper Volta, having taken into account, among other things:

- A. The lack of suitable warehouses for storage of food grain in rural administrative centers (sous-prefectures);
- B. The frequent recurrence of localized drought and crop failures in an unpredictable pattern in scattered rural areas;
- C. The lack of a sufficiently large, decentralized security stock to respond to temporary food shortages in these same areas;
- D. The importance which the GOUV places on the constitution of a security stock of local food grain and the attainment of national food self-sufficiency;
- E. The improved performance of the National Cereals Office (OF.NA.CER.) as a result of administrative reform and adoption of more effective business practices;
- F. The existence of qualified personnel within OF.NA.CER to manage the project;
- G. The technical assistance/construction/equipment/training elements of the project which will develop a cost-effective cereals policy and storage system for the attainment of greater food security;

Do hereby certify that in my judgment, the GOUV will have with the help of this project the financial and human resource capability to maintain and utilize effectively the grain storage warehouses and rolling funds for local grain purchases developed by the project.


Richard C. Meyer
Acting Mission Director
Ouagadougou, Upper Volta

ANNEX H

Implementation Schedule

<u>Date</u>	<u>Action</u>	<u>Responsible Agencies</u>
8/79	PP submitted AID/W	USAID
9/79	PP approved/authorized	AID/W
11/79	Pro Ag signed	USAID/GOUV
12/79	Procurement Agency (PA) selected - Equipment ordered for 10 warehouses, 4 vehicles ordered	USAID/GOUV
12/79	Pesticides expert arrives	AID/W/USAID/GOUV
12/79	Short-term technician arrives for priority site identification for first 10 warehouses	AID/W/USAID/GOUV
1/80	RFP issued for long-term technical assistance contract	AID/W/USAID/GOUV
3/80	IFB for local construction of 10 priority warehouses	USAID/GOUV
3/80	PL 480 Title II arrives for 1980 hungry period	AID/W/USAID/GOUV
3/80	5 candidates selected for K.S.U. short course	USAID/GOUV
4/80	AA/AFR approves procurement of pesticides	AID/W/USAID
4/80	Pesticides ordered for first 10 warehouses	USAID/GOUV
5/80	Construction begins at priority sites	USAID/GOUV
5/80	T.A. Contract awarded	AID/W/USAID/GOUV
6/80	Candidates depart for K.S.U. course	USAID/GOUV

<u>Date</u>	<u>Action</u>	<u>Responsible Agencies</u>
7/80	Equipment and vehicles arrive	PA
8/80	Long-term technicians arrive (agricultural economist, management information specialist)	AID/W/USAID
8/80	Team arrives to begin 2 year study of national grain markets	AID/W/USAID
8/80	Candidates return from K.S.U. course	USAID/GOUV
10/80	Construction of first 10 warehouses completed	USAID/GOUV
10/80	Pesticides arrive	PA
10/80	Local personnel hired for Planning Unit	USAID/GOUV
10/80	Pro Ag Amendment signed (FY 81 funds)	AID/W/USAID/GOUV
11/80	Consultant demonstrates use of pesticides	USAID/GOUV
12/80	10 additional warehouse sites identified	USAID/GOUV
12/80	Equipment and pesticides ordered for 10 warehouses	USAID/GOUV
1/81	IFB for local construction of second 10 warehouses	USAID/GOUV
3/81	Construction of second 10 warehouses begins	AID/W/USAID/GOUV
3/81	5 candidates selected for K.S.U. short course	USAID/GOUV
3/81	PL 480 Title II shipment arrives for 1981 hungry period	AID/W/USAID/GOUV

<u>Date</u>	<u>Action</u>	<u>Responsible Agencies</u>
5/81	Project Evaluation	AID/W/USAID/GOUV
6/81	Equipment and pesticides arrive	PA
6/81	Candidates depart for K.S.U. course	USAID/GOUV
7/81	Construction of second 10 warehouses completed	USAID/GOUV
8/81	Management info specialist departs	AID/W/USAID
8/81	Final warehouse sites identified	USAID/GOUV
8/81	Candidates return from K.S.U. course	USAID/GOUV
9/81	Equipment and pesticides ordered	USAID/GOUV
10/81	Pro Ag Amendment signed (FY 82 funds)	AID/W/USAID/GOUV
10/81	IFB for local construction of final warehouses	USAID/GOUV
12/81	Construction of warehouses begins	USAID/GOUV
2/82	Study team returns to U.S.	AID/W/USAID
3/82	Equipment and pesticides arrive	PA
4/82	Construction of warehouses completed	USAID/GOUV
5/82	Project Evaluation	AID/W/USAID/GOUV
8/82	Study analyses completed and reports received by USAID	AID/W/USAID
8/83	Agricultural Economist departs	AID/W/USAID
9/83	End of project	USAID/GOUV

ANNEX I

Procurement Plan

Responsibilities

Procurement of goods will be the responsibility of the GOUV. Procurement of services will be the joint responsibility of the GOUV and USAID. Host country contracting will be used for construction elements of the project and local procurement. Otherwise, in view of the GOUV's lack of expertise and knowledge concerning U.S. procurement of technicians, such U.S. procurement will be handled by USAID/AID/W (PIO/T's) in collaboration with the GOUV. U.S. procurement of commodities will be handled in the name of the GOUV by a U.S. procurement agent such as the Afro American Purchasing Center (PIO/C's).

Commodities and Services

Commodity and Services lists are included in the Budget Analysis of the Supplementary Annexes. In addition, this analysis indicates which items are to be procured from the U.S. (i.e. all items for which there is a 62% allowance for transportation plus the procurement agency commission). The Budget Analysis also indicates during which year each commodity or service is expected to be procured. An inflation rate of 10% compounded annually is added to each item. Budgeted costs for U.S. procured items also include a stock of spare parts (20% vehicles, 15% for other machinery).

Commodities will generally be procured from either the United States (code 000) or less developed countries (code 941) ^{1/} or will be procured as shelf items subject to shelf item restrictions concerning source/origin, unit prices, and total amounts. In addition, commodities mined, grown, or produced in Upper Volta will be procured. Exceptions to the above are the subjects of waiver requests included below.

Waivers

No waiver for proprietary procurement of American vehicles is requested at this time. However, it is conceivable that at some future time such a request will be made. USAID/Upper Volta is currently in the process of procuring a number of vehicles for various other projects and would like to standardize eventually on one American vehicle in order to induce that particular manufacturer to set up a serious vehicles maintenance program in Upper Volta. However, as no vehicle standardization policy has been made to date, no vehicle waiver request is presented at this time.

^{1/} Upper Volta qualifies for code 941 procurement as it is on the list of least developed countries, see AID to CIRC A-316 8/3/77.

ANNEX J

GOUV Application for Assistance

OFNACER/DG

The Director,
USAID.

Ouagadougou,
July 13, 1978

Dear Sir,

I have the honour of submitting for your appraisal and funding a draft plan of the application for the provision of sorghum within the framework of PL 480 Title III FFD.

The OFNACER Directorate General is prepared to get in touch with you for a reformulation of this project in accordance with your official system.

Yours Faithfully,

Augustin WINNINGA
Minister of
Rural Development

Minister of Rural Development
Ouagadougou,
July 11, 1978

Dear Sir,

I have the honour of submitting for your appraisal and a possible submission to USAID a draft plan of the application for the provision of sorghum within the framework of PL 480 Title III FFD.

This draft shall enable OFNACER to come into contact with USAID, OUAGA, for a more precise reformulation and in accordance with the official American system.

This project which is spread over three years is comprised of the construction of warehouses and storage facilities as well as the construction of Regional Headquarters, a training program and the establishment of a revolving fund.

We wish to propose to the USAID an annual supply of 12,000 tons of sorghum which, when sold shall provide a substantial counterpart fund to finance certain Rural Development Projects.

The cost of this 3-year project is estimated at 870,000,000 Francs.

Yours Faithfully,

Fernand YOUNGBARE
Director, National Cereals
Office

cc.: Minister of Finance

Draft Plan of the Application for the Provision
of Sorghum within the Framework of PL 480 Title III-FFD

I. - Support of the new cereal policy in Upper Volta oriented towards the encouragement of the rural world to increase their cereal production in view of attaining self-sufficiency.

- The implementation of such a policy necessitates the creation or the reinforcement of the OFNACER marketing structures at sub-prefecture level in order to make rural producers and consumers benefit from price stabilization, the main objective of OFNACER.

II. Needs of the program/3 years

a) Infrastructure:

- 40 warehouses of 250 T capacity each to be set up in the sub-prefectures, in densely populated areas experiencing chronic cereal shortages (Yatenga - Center North - Center West-Center) and in areas where the level of production is regular (Volta Noire, Hauts Bassins, Bougouriba, Center-East and East).

- Storage equipment and material: Planks, tarpaulins, scales, office material.

- 4 regional headquarters: Koudougou, Diebougou, Dori-Dedougou - with office equipment.

b) Training of Personnel:

- Training of warehousemen: stock management, cereal conservation.

- Refresher course for departmental heads.

- Refresher course for senior staff: cereal policy, organization of divisions, marketing, forecasts, and programming.

c) Funding of Marketing Campaigns:

- The need to establish a revolving fund adequate for the start of each campaign for procuring cereal from the producers and capable of allowing the purchase of

10,000 tons of cereal from the producers. This fund must be completely reconstituted at the end of the hungry period.

III. Estimation of the costs of the Project Infrastructure:

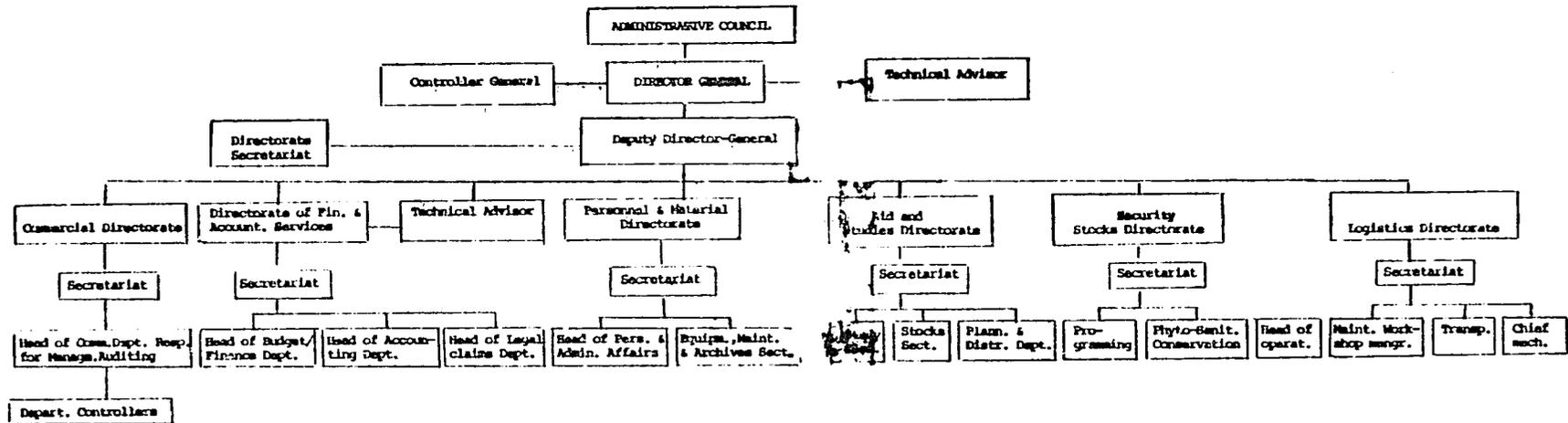
40 warehouses	400,000,000 FCFA
Storage equipment	50,000,000
Regional Headquarters	80,000,000
Training	20,000,000
Revolving Fund	<u>320,000,000</u>
TOTAL	870,000,000 FCFA

IV. Funding of the Project

- Supply of 12,000 T of sorghum per year for a period of three years within the framework of PL 480 Title III-FFD, a total of 36,000 T of sorghum. The consumer price of 32 FCFA/kg. shall give a gross revenue amounting to the sum of 1,152 million FCFA.

- After all necessary deductions, notably transport and marketing costs, the net revenue from the sale of 36,000 T of sorghum can be estimated at : Nine hundred million Francs CFA.

MINISTRY OF
RURAL DEVELOPMENT



ANNEX 2

BEST AVAILABLE DOCUMENT

ANNEX L

Ambassador's Letter

Monsieur le Ministre
des Finances

Ouagadougou

FPC-2
OFNACER Counter-Part
Fund 1979

Ouagadougou,
le 4 janvier 1979

Monsieur le Ministre,

Suite a votre lettre No. 0977 MF/CAB du 20 juillet 1978, j'ai l'honneur de porter a votre connaissance que les bénéfices résultant de la vente des 5,000 T de sorgho accordées à la Haute-Volta par l'Agence des Etats-Unis pour le Developpement International (USAID) au titre de l'aide alimentaire d'urgence 1977 et qui ont été versés au compte spécial "Fonds de contre-partie sorgho-américain", d'un montant total de 69,820,561 FCEFA, peuvent servir de fonds de roulement à l'OFNACER.

Cette somme vous permettrait d'acheter des céréales locales au cours de la prochaine campagne de commercialisation et d'avoir moins besoin de recourir aux aides internationales pour reconstituer les réserves céréalières de la Haute-Volta.

Veillez agréer, Monsieur le Ministre, l'expression de ma très haute considération.

Thomas D. Boyatt
Ambassadeur

ANNEX M

Project Background

A. General: The Agricultural Sector

Upper Volta is a landlocked country on the southern edge of the Sahara in West Africa. The country is 106,000 square miles in area, or about the size of Colorado. Upper Volta is one of the poorest economies in the world with per capita GNP of about \$110. In terms of employment the economy is predominately agricultural with 96% of the labor force engaged in crop farming (90%) and in livestock raising (6%). Farming, accounted for only 24% of GDP in 1976 but agricultural exports provided 56% of total export earnings.

In 1978 the population of Upper Volta was estimated to be 6.5 million making Upper Volta the most populous Sahelian state. Upper Volta has a relatively high population density with approximately two-thirds of its population living on less than one-third of the land area. This area, the Mossi plateau, is handicapped by poor, shallow soils, erratic rainfall and a long dry season. Nevertheless, the development of its agricultural basis is the only major, long-term development course open to Upper Volta because there are no significant alternative courses. Thus, a project which seeks to improve the grain marketing system is placed at the core of the Voltaic development effort.

B. Characteristics of the Cereals Economy

Upper Volta's agricultural economy is typical of the region. Millet and sorghum are the main staples, supplemented by small amounts of rice and maize. The farming sector is overwhelmingly subsistence-oriented; small amounts of groundnuts and cotton, and even smaller amounts of sheanuts and sesame, are grown as cash crops. Table I shows production and marketing estimates for main crops since 1964.

Table I. Production and Marketing of Principal Crops,
1964-1977 (000 tons)

<u>Year</u>	<u>Millet & Sorghum</u>		<u>Rice</u>		<u>Groundnuts</u>		<u>Cotton</u>	
	<u>Prod.</u>	<u>Market.</u>	<u>Prod.</u>	<u>Market.</u>	<u>Prod.</u>	<u>Market.</u>	<u>Prod.</u>	<u>Market.</u>
1964/65	861	77	24	13	59	6	-	8
1965/66	980	138	33	18	-	6	-	9
1966/67	940	143	35	20	-	9	-	8
1967/68	876	-	36	-	75	11	17	16
1968/69	860	-	38	2	75	10	32	32
1969/70	922	-	39	-	78	12	36	36
1970/71	833	-	34	-	65	17	24	24
1971/72	772	-	37	2	66	15	28	28
1972/73	766	-	34	2	60	25	33	33
1973/74	750	-	31	2	63	29	27	27
1974/75	810	-	39	4	-	33	31	31
1975/76	1200	-	39	-	87	13	48	48
1976/77	1087	-	12	-	-	-	70	70

The structure of the rural economy is much the same as elsewhere in the Sahel: small-scale farming units predominate, with family labor and mutual aid arrangements the major forms of labor utilization, and an important share of the work falling to women. Upper Volta is unique in the extent to which labor migration occurs; recent studies indicate that over half the young men of many villages--particularly in the crowded Mossi Plateau--are away at any one time, most of them in the Ivory Coast¹.

Table II shows the average acreage per farm unit and the pattern of land use in various parts of the country. The average holding rarely exceeds 5 hectares, and only in several regions does the proportion of total cultivated acreage in millet and sorghum fall below 70%. These data are somewhat changed by developments since 1972--the emergence of the Volta Valley Authority, for example. But they retain their general validity.

For purposes of agricultural administration, Upper Volta is divided into 11 Regional Development Organizations (ORDs). Four of these are typically deficit areas--i.e., they import grain. These deficit regions are supplied by the ORDs in the south and west, which are typically grain exporters--not only to northern Upper Volta but also to the coastal countries further south. Diagram I is a recent attempt to depict inter-regional grain movements, along with estimates of the volume of regional consumption. As the diagram shows, the two major exporters are the ORDs of Bobo-Dioulasso and Dedougou, with the ORD of Ouagadougou being the major importing region. In 1975, an estimated 30,000 tons of grain were exported to neighboring countries.

The detailed workings of the rural economy are poorly known because of lack of basic studies. It is assumed that, like all peasants in mainly subsistence economies, Upper Voltan farmers plant enough millet to feed their families, plus a little more for sale, assuming normal rainfall. Output is stored on farms for use during the year. Production estimates vary significantly--sometimes by as much as 30%². The most common estimate for cereals production in the mid-70's is about 1 million tons. Of this amount, 10-20% is thought to be marketed in normal years. Table III is an official estimate of 1976/77 production.

¹About 3.5 million people live on the Mossi Plateau; this is 60% of the country's total population living on less than a third of the land area. Population densities in many parts of the Mossi Plateau exceed 40 persons per km²--which is said by many agronomists to be all the land can support at existing levels of technology without declines in yield and soil deterioration.

²CILSS/Club du Sahel Working Group on Marketing, Price Policy and Storage, Marketing, Price Policy, and Storage of Food Grain in in the Sahel, A Survey. Vol. I, Part II "Statistical Compilation Table 17

Upper Volta has certain advantages in its drive to reach cereals self-sufficiency. It is ecologically favored, being mainly Sudanese rather than Sahelian in climate and vegetation; over 80% of the country is below the 750 mm isohyet. It has always been close to cereals self-sufficiency, except for wheat imports, which in recent years have averaged some 20-30,000 tons. It is the least urbanized of the Sahel countries; only 8% of its people live in towns. Its farmers are famous throughout West Africa for their skill and dedication to hard work. Like Mali, Upper Volta appears to have real possibilities for a future role as a grain exporter, a role it already plays on a small scale. It is not the expansion of production which is the main constraint; production potentials are, in fact, promising, particularly as a result of the opening of new areas for cultivation, such as in the Volta River Valley. The constraint will rather lie in the area of marketing.

Marketing of agricultural products has proved a troublesome area of public policy in Upper Volta. Government involvement in marketing has tended to be rather less extensive than in some of the other Sahel states, but the issue has certainly been present. Between 1970 and 1973 at least three study groups reported to the government on marketing policy. There have been numerous sessions of Interministerial Councils on the same problem. Since 1967, there have been frequent changes in policy direction.

Two main questions have been in contention: what should be the allocation of marketing responsibility between the public and private sectors; and within the public sector, how should marketing functions be divided among the various agencies and institutions with agricultural or agro-economic responsibility: the Regional Development Organizations (ORDs); the grain marketing agency (since 1971), OFNACER; the price stabilization agency (CSPP, or Caisse de Stabilisation des Prix des Produits Agricoles); the "sub-committee" ("sous-comite") of the anti-drought organization created in the early 1970s.

C. Grain Marketing and Government Policy

Food crop marketing was, until 1971, exclusively a private sector activity. The government fixed floor (producer) and ceiling (consumer) prices, but few serious efforts were made to change these prices as market conditions changed or to coincide with local variation in demand

Table 11
Surface Moyenne Par Exploitation, 1972
Average Acreage Per Farm Unit, 1972
 (Hectares et %)

REGIONS (ORDS)	TOTAL SURFACE	MIL-MILLET		SORGHO-SORGHUM		MAIS-MAIZE		RIZ-RICE		COTON-COTTON		ARACHIDE GROUNDNUTS		SESAME		AUTRES OTHERS	
		ha	%	ha	%	ha	%	ha	%	ha	%	ha	%	ha	%	ha	%
(1) SAHEL	6.0	2.6	(43)	1.6	(27)	.36	(6)					.75	(12)	.48	(8)	.21	(4)
(2) OUAHIGOUYA	3.4	1.2	(35.3)	1.8	(53)	.005	(.1)	.005	(.1)	.030	(.8)	.150	(4.4)	.050	(1.5)	.361	(4.8)
(3) KAYA	4.4	1.17	(26.8)	1.95	(44.2)	.12	(2.7)	.03	(.6)	.25	(5.4)	.3	(7.0)	.05	(1.1)	.53	(12.2)
(4) KOUPÉLA	4.0	1.9	(48.9)	.08	(20.7)	.13	(3.47)	.33	(8.56)	.026	(.68)	.56	(4.45)			.275	(3.19)
(5) FADA	6.6	1.48	(22)	2.95	(45)	.42	(6)	.45	(7)	.30	(5)	.77	(12)			.24	(3)
(6) OUAGADOUGOU	4.0	3.64	(91)					.02	(.5)	.09	(2.2)	.15	(3.8)			.10	(2.5)
(7) KOUDOUGOU	4.2	(-----3.8-----)		(89.8)-----		-----		.03	(.7)	.17	(4.7)	.1	(2.4)	(-----,1-----)		(2.4)-----	
(8) DÉDOUGOU	4.5	1.49	(32.8)	2.08	(45.9)	.13	(3)	.03	(.7)	.33	(7.2)	.21	(4.7)	.1	(2.1)	.16	(3.6)
(9) BOBO-DIOULASSO	6.0	1.26	(21)	2.46	(41)	.3	(5)	.12	(2)	.72	(12)	.42	(7)	.12	(2)	.6	(10)
(10) BOUGOURIBA	5.0	1.9	(38)	1.8	(36)	.3	(6)	.1	(2)	.113	(2.26)	.45	(9)	.025	(.5)	.312	(6.24)
(11) BANFORA	7.5	(-----4-----)		(53)-----		-----		.5	(7)			1.2	(16)	.7	(9)	1.1	(15)

SOURCE: Gare et Storm, Rapport de la Commission Mixte OFNACER/DDR, Enquête sur la production et la commercialisation des céréales, (ronéo) août 1972.

Diagram 1.

République de Haute-Volta

Mil et sorgho - 1975
(en milliers de tonnes)

Production régionale pour la consommation,¹⁾
Mouvements interrégionaux nets de la récolte 1975 et
Consommation régionale per capita (en kg)

Population résidentielle en décembre 1975
(en 100 000 habitants)

Légende

Production régionale pour la consommation (20 000 t) 

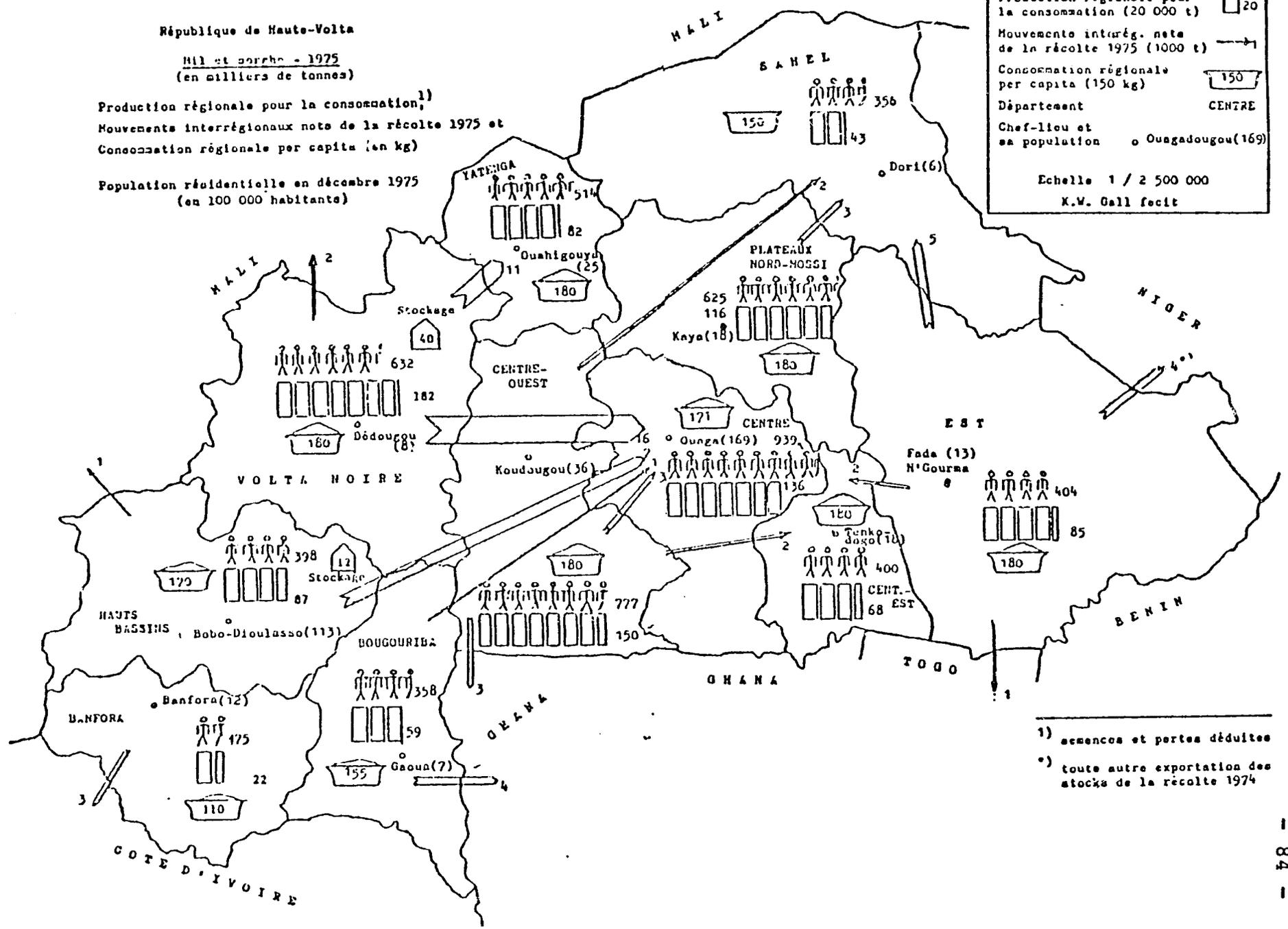
Mouvements interrég. nets de la récolte 1975 (1000 t) 

Consommation régionale per capita (150 kg) 

Département CENTRE

Chef-lieu et sa population  Ouagadougou(169)

Echelle 1 / 2 500 000
K.W. Gall fecit



1) semences et pertes déduites
2) toute autre exportation des stocks de la récolte 1974

Table III
Cereals 1976/77 (000s tons)
Céréales 1976/77 (en milliers de tonnes)

REGIONS (ORDS)	Raw Production Production Brute				Production dispon. pour la consommation ¹ Production avail. for consumption			Popu- lation (100 000 habi- tants)	Consommation annuelle per capita Annual Consumption per capita			Excéd () ou Défic. de prod. () ou (-) prod.	Anciens stocks au niveau product. Old stock at produc- tion level	Excéd () ou Défic. réel True () ou (-) Real
	Sorgho mil et fonio Sorghum millet and wild grain	Maïs Maize	Riz blanc White Rice	Total	Sorgho, mil et fonio Sorghum millet and wild grain	Maïs et riz Maize and Rice	Total		Sorgho mil et fonio Sorghum millet and wild grain	Maïs et Riz Maize/ Rice	Total céréale local.			
SAHEL	49	-	-	49	45	-	45	363	145	-	145	- 8	8	± 0
OUAHIGOUYA	102	1	-	103	93	1	94	524	178	2	180	- 4	33	+ 29
KAYA	131	1	-	132	119	1	120	638	178	2	180	+ 5	46	+ 51
DÉDOUGOU	194	5	1	200	177	5	182	645	179	6	185	+ 63	110	+ 173
FADA	84	1	2	87	76	3	79	412	174	6	180	+ 5	34	+ 39
KOUPÉLA	59	2	-	61	54	2	56	408	174	6	180	- 17	7	- 10
OUAGA	150	2	-	152	137	2	139	963	171	2	173	- 28	30	- 2
KOUDOUYOU	164	1	-	165	149	1	150	793	176	1	177	+ 10	60	+ 70
BOUCOURIBA	45	4	1	50	41	4	45	365	155	18	173	- 18	24	+ 6
BOBO	91	16	4	111	83	18	101	406	143	32	177	+ 29	30	+ 59
BANFORA	18	13	4	35	16	16	32	179	90	85	175	+ 1	12	+ 13
Total	1087	46	12	1145	990	53	1043	5696	167,5	9	176,5	+ 38	394	+ 432

¹ Production brute moins 4% de semences et 5% de pertes. Raw production minus 4% for seed and 5% for losses.

SOURCE: AUTORITES VOLTAICS

and supply. (See Appendix I, Table 1.). Enforcement of these official prices, particularly to producers, was in any event difficult. Thus, an essentially unregulated private trade assured the provision of deficit regions and urban centers of food grains (at least millet and sorghum) throughout most of Upper Volta's modern economic history; and the prices of these food grains were mainly determined by market forces of supply and demand.

The first major government effort to intervene in the grain trade came in 1970, with the creation of the National Grain Office, Office National des Cereales, or OFNACER. The main objectives of OFNACER were to protect consumers against "excessive" gains made by traders and to dampen "excessive" fluctuations in supply and retail grain prices. It was also to reduce presumed exploitation of farmers by traders, by creating regional grain storage capacity which could allow OFNACER to build a buffer stock, smoothing out and regulating prices for sellers as well as buyers. It was to build up its operating capital by purchasing, with foreign assistance, imported cereals (30-40,000 tons per year) during years of scarcity.

OFNACER has never been able to market more than a small share of domestically produced grain. As Table IV shows, until 1974/75, almost all the grain purchased by OFNACER was imported. From 1974/75 to 1976/77, a large portion of local purchases were made by the ORDs and turned over to OFNACER afterwards. If we assume that the total amount of cereals marketed in recent years is some 150,000 tons annually (15% of 1 million tons of total production), then OFNACER's purchases (and sales) were perhaps 20% of total grain marketing. However, only in 1978/79 has OFNACER purchased as much as 10% of locally marketed grain through its own organization. In previous years OFNACER has simply had the responsibility for marketing grain acquired through other government organizations (notably ORDs) and through commercial imports and food aid.

There are many reasons for OFNACER's restricted presence in the grain market. The drought forced its attention and energy to the problem of grain distribution in deficit areas. Its staff is small, its equipment and--at least until recently--its storage capacity very limited. It remains short of working capital; and because it was forced to sell grain to consumers at prices below its costs, it has run sizeable and steady deficits. In addition, there are factors, some structural, which prevent OFNACER from competing effectively with the private traders. These will emerge in the discussion below.

Until 1978, there existed in Upper Volta a dual marketing structure--one "official" or "étatique", the other "private" or "traditional". Private trade was only legal under certain restricted circumstances; only licensed traders (commerçants agréés) were legally entitled to engage in the grain trade. Yet, in reality, thousands of sacks of grain were traded every month by traders who were not agréés. As noted, probably 80% of the total volume of grain transactions took place in the "traditional" or private sector, which operates without legal entitlement.

The general structure of the dual marketing system is shown in highly simplified form in Diagram II. On the private market, the diagram fails to convey the rich diversity of the arrangements which seem to exist for grain purchases and sales. In fact, little is known about the detailed working of these markets--a point stressed more than once in this study. Nor is much known about the interactions between the two circuits--the relationship between OFNACER and the private traders; for example.

D. Evolution of Grain Marketing in Upper Volta

The Entente Grain Stabilization and Marketing Project, a multidonor project initiated in 1972 and terminated in July 1979, was the first undertaking by AID (or any donor) in grain marketing in Upper Volta. The project was explicitly directed to stabilization of grain prices in Upper Volta and Niger. Its stated goal was "to reduce the extreme low (price) in the immediate post-harvest producer's market and the extreme high (price) in the pre-harvest consumer market". The goal was to be achieved by providing experts to OFNACER on grain marketing and storage and the provision of a small training element. The project was intended to endow OFNACER with the capability to design buying and selling plans, the statistical analytic capacity to "determine pricing policy", accounting procedures to allow financial and operational analysis and sufficient storage capacity to allow regulation of cereals prices.

The evaluation of the first phase of the project determined that the objective of controlling grain prices was too much to expect because OFNACER was just being established and it was working under the difficult conditions of severe drought and large crop failures. It was felt, however, that phase II of the project should be implemented with the original objective of price stabilization. An evaluation of phase II of the Entente Grain

Opérations Céréalières de l'OFNACER, 1971/72-1975/76

(Quantités en milliers de tonnes,
valeurs en millions de francs CFA)

TABLE IV.

	1971/72	1972/73	1973/74	1974/75 ¹	1975/76 ²
<u>Cereal Purchases on local markets</u>					
<u>Achats de céréales sur marchés locaux</u>					
Quantités - Quantities	1.54	0.76	2.77	15.40	16.81
Valeurs - Values	32.78	16.12	....	569.10	---
<u>Cereal Imports</u>					
<u>Importations de Céréales³</u>					
Quantités - Quantities	35.29	27.41	29.54	24.75	5.82
Valeurs - Values	534.56	479.95	.....	639.69	---
<u>Total - Totaux: Quantités-Quantity</u>					
Valeurs-Values	36.83	28.17	32.31	40.15	22.63
	567.34	496.07	.....	1,208.79	---
<u>Cereal Sales on Local markets</u>					
<u>Ventes de Céréales sur marchés locaux⁴</u>					
Quantités - Quantities	30.75	24.93	33.02	28.01	21.03
Valeurs - Values	539.11	469.80	.....	685.65	---
<u>Changes in stocks</u>					
<u>Changements dans les stocks</u>					
(augmentation +)					
Quantités - Quantities	6.08	3.24	- 0.71	12.14	1.60
Valeurs - Values	28.23	26.27	.....	523.14	

Source: Office National des Céréales (OFNACER).

¹Until 1974/75, purchases and sales of rice were the responsibility of the Société Voltaïque de Commercialisation (SOVOLCOM).

Jusqu'à 1974/75, les achats et ventes de riz étaient la responsabilité de la Société Voltaïque de Commercialisation (SOVOLCOM).

²

Revised from original table

³

Imports made under food aid programs.

Importations faites sous programmes d'aide alimentaire

⁴

Including some free distribution.

Y compris un peu de distribution gratuite.

TABLE IV (continued)

OFNACER Cereals Operations 1976/77 - 1978/79 (000s tons; Currency-CFA)

Operations Cerealieres de l'OFNACER, 1976/77 - 1978/79
(Quantites en milliers de tonnes,
valeurs en millions de francs CFA)

	1976/77	1977/78	1978/79 ¹	1979/80 ²
<u>Cereal Purchases on local markets</u>				
Quantities	9.78	8.78	15.29	30.00
Values	205.34	281.10	688.52	1240.00
<u>Cereal Imports</u>				
Quantities	18.83	50.47	36.24	12.00
Values	1,480.98	2,866.02	2,557.38	564.00
Total:				
Quantity	28.61	59.25	51.53	42.00
Values	1,686.32	3,147.12	3,245.90	1,804.00
<u>Cereal Sales on Local Markets</u>				
Quantities	28.35	24.60	33.32	60.00
Values	1,366.93	1,165.92	1,042.59	3,413.50
<u>Changes in stocks</u> (increases)				
Quantities	.26	34.65	18.21	-18.00
Values	--	--	--	--

¹Sales data through 3/31/79 only.

²Provisional.

Source: Office National des Cereales (OFNACER)

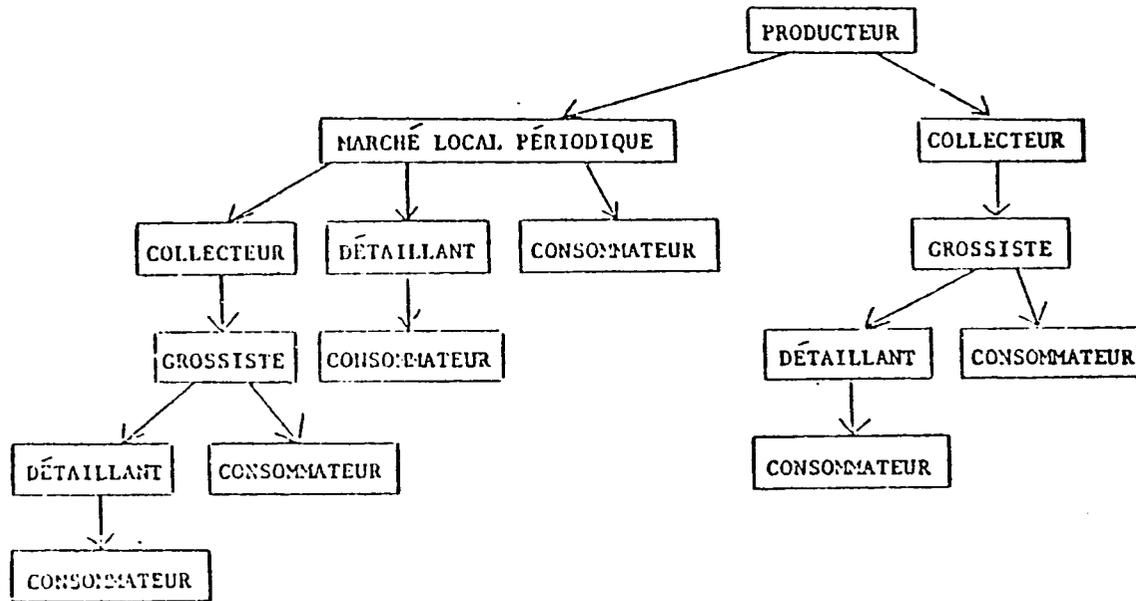
Table from CILSS/Club du Sahel, Marketing, Price Policy and Storage of Food Grain in the Sahel, Vol. II. Upper Volta, Country Study, p. 15.
Revised and updated based on OFNACER Stock movement reports, Ouagadougou. 1979.

DIAGRAM II

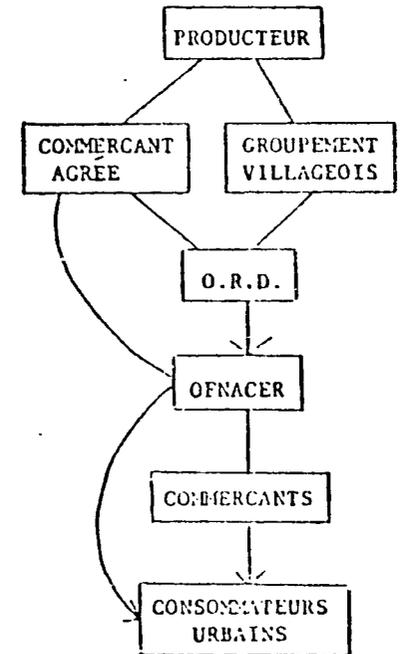
HAUTE VOLTA: CIRCUITS DE COMMERCIALISATION - MIL ET SORGHOS

UPPER VOLTA: MARKETING CIRCUITS - MILLET AND SORGHUM

CIRCUIT PRIVÉ OU "TRADITIONNEL"



CIRCUIT PUBLIC (Légal)



Stabilization Project was conducted in May 1979. The results of the evaluation are not yet available. It is clear, however, that OFNACER did not develop the analytical or accounting capabilities sufficient to afford effective market intervention. Until recently OFNACER had no meaningful role in determination of official prices. Official prices during this period were an expression of the GOUV's desire to keep food costs low rather than stabilization of market prices. OFNACER concentrated its efforts on the essentially logistical exercise of receiving foreign food assistance and distributing it in response to the requests of regional and subregional authorities.

An earlier section on food grain marketing summarized OFNACER's early operations and its general impact on the cereals market. In recent years, there have been substantial changes in OFNACER's operations and in the legal status of private traders.

- (a) Private grain trade is now legal and no license is required nor are there any restrictions in traders' operations³.
- (b) Near normal (but still deficit) harvests have allowed OFNACER to shift its concentration away from expediting emergency food shipments to improving the efficiency of its operations.
- (c) The Sous-Comité Permanent de Lutte Contre des Effets de la Secheresse have turned over their grain operations and facilities to the ORDs and to OFNACER and have gone out of existence.
- (d) OFNACER is no longer required to purchase grain from ORDs. It now purchases grain from private sellers including licensed and unlicensed private traders. OFNACER is the exclusive national grain agency which handles and distributes foreign assistance grain (ORDs may still buy and sell grain within their own jurisdiction).
- (e) The Swiss have provided OFNACER with substantial assistance in transportation equipment and facilities. There is a plan to upgrade the OFNACER truck maintenance facility with Swiss assistance in the near future. OFNACER now has 30 trucks most of which have a capacity of about 13 tons and two trucks can carry as much as 25 tons. OFNACER officials feel they have adequate transportation capacity to meet requirements.

³ See PID, footnote 1, on P. 3.

- (f) OFNACER has upgraded and improved its grain storage management. OFNACER-owned warehouses were observed to be clean, well managed and with no apparent signs of major insect infestation or poor maintenance.
- (g) OFNACER has become increasingly aware of the need to transform its method of operation from a logistical exercise to one which uses the market as a reference point.
- (h) OFNACER has been made financially autonomous by the GOUV with the requirement that the organization be self-supporting.

In 1978 OFNACER recommended to an inter-ministerial committee that OFNACER pay 40 FCFA per kilogram for millet and white sorghum and 30 FCFA per kilogram for red sorghum. Selling prices of 57 FCFA and 47 FCFA respectively were also recommended by OFNACER. The committee accepted the price recommendations in August 1978 and the prices were made public in October. In December, 1978, OFNACER started purchasing grain using a network of agents and buying teams. After about ten weeks of operations very little additional grain was available at the official price and OFNACER had acquired about 15,000 metric tons of cereal, including 6,400 tons of corn purchased in southern Upper Volta⁴, and 7,100 tons of millet, white and red sorghum in the western and southwestern sections of the country. It was generally difficult to buy millet and sorghum at the official price because the buying campaign started nearly two months after the harvest by which time the market price had exceeded the OFNACER price in many areas.

OFNACER officials are attempting to obtain approval of buying prices by June 1979, so prices can be announced during the planting phase in an effort to encourage greater production. OFNACER expects official prices for the 1979-80 cycle to be about the same as those set last year.

OFNACER officials stated that a major goal of the organization is stabilization of grain prices within a given band by means of OFNACER purchases and sales.

⁴OFNACER officials acknowledged that 5,000 tons of corn had originated across the border in Ghana. Given the location of the purchases and the prevailing price policy in Mali it is not unrealistic to conjecture that much of the 10,000 ton balance originated in Mali.

OFNACER was told by a visiting German expert that it would be necessary to buy and sell 60,000 metric tons annually to achieve this goal⁵.

This figure has been adopted as a goal for OFNACER operations. In addition OFNACER will continue to receive and dispense French, German, US and other donor food grain assistance.

E. OFNACER Capabilities and Problems

Within certain limits transportation capacity and storage capacity are substitutes. Presently OFNACER has what it considers to be basically adequate transportation capacity. Storage capacity and particularly the distribution of storage capacity are not considered to be optimal (See Annex III). Presently, OFNACER has a total of 43,500 metric tons of storage capacity and anticipates the addition of about 17,500 tons of storage capacity through this project and the German security stock project⁶.

The problem, however, is not the amount of storage capacity but the degree of its concentration. More than a fifth of total permanent storage capacity is located in Ouagadougou and another third is located in the Sahel ORD. Except for the Sahel ORD all of the storage facilities are located in cities or major towns. (See Annex III).

There are either no OFNACER storage facilities available in rural areas at all, thereby necessitating heavy reliance on truck transport, or temporary rental of storage space. There is dissatisfaction with rented storage because OFNACER cannot always count on it being available, it is frequently in bad condition, the wrong design for grain storage or both. High storage losses are the result. In addition rental storage space constitutes an out-of-pocket expense for OFNACER.

A recent series of interviews indicated that OFNACER has neither the staff nor the inclination, at present, to assess grain prices in a systematic manner. Knowledge

⁵ Examination of the report which recommended the 60,000 ton figure did not provide any substantiating analysis or calculations. Thus, the figure appears to be assertion based upon a rule-of-thumb.

⁶ 10,000 tons of the total consists of short-life structures which will only be usable for the next 2-3 years and another 6,000 tons of storage capacity are in the form of prefabricated quonset huts which are not suitable for long-term grain storage because they allow excessive heat buildup.

of prices is basic to the functioning of an agency which is intended to act as a market stabilizing force. Price data are supposed to be collected each month by OFNACER regional coordinators and submitted to the main office in Ouagadougou. A check of the records indicated the data are not sent in nor does the Ouagadougou office have anyone to process and analyze the information. OFNACER's grain allocation process is largely determined by requests for grain from administrators of local areas.

It has already been noted that OFNACER transportation capabilities appear to be adequate and the Swiss continue to be interested in maintaining that adequacy. Similarly, aggregate storage capacity, especially with the addition of the German financed facilities, can be expected to meet buffer stock requirements. The major weak areas are OFNACER's lack of market evaluation and analysis capabilities and its lack of small-scale rural storage facilities. The response to these inadequacies is explained in the project description section.

The OFNACER objective of grain price stabilization is not, however, an unambiguous objective. Furthermore, the method proposed by OFNACER to achieve the objective may not be feasible and if heavily stressed could cause more economic displacement than economic development.

The OFNACER objective is stabilization of cereal prices. The degree and type of stabilization is suggested by the grain buying and selling prices set by OFNACER in the 1978-79 season. The purchase price was set at 40 FCFA per kg for millet and white sorghum and 30 FCFA per kg for red sorghum with a 17 FCFA margin added to each base price to comprise the consumer price. Ideally, OFNACER would like to establish a single producer price and a single consumer price over time and throughout the country and a fixed marketing margin regardless of actual marketing costs.

There are numerous operational and economic problems with this approach. Some of the main deficiencies are discussed in Supplementary Annex IV. Although many faults can be found with the approach favored by OFNACER

their effort to control grain prices is a response to a genuine and major set of problems in the Voltaic cereals economy⁷. Thus, OFNACER, as the representative of the GOUV, warrants assistance in its effort to cope with these problems. This project is designed to aid OFNACER in a way which attempts to address a part of the core problem while simultaneously attempting to inject into OFNACER the analytic capacity and an improved understanding of the national cereals marketing system to facilitate eventual redirection of the GOUV's approach to the cereal marketing systems.

⁷Large price differences around the country, over the harvest cycle and year-to-year are symptomatic of the problem or more correctly problems. Stated simply, one set of problems involve the tendency for substantial fluctuations in cereal production with disproportionately larger changes in the volume of grain offered for sale by farmers. Production declines lead to decreases in real incomes as food prices increase and can result in excessive social and human costs from actual food deprivation. Food shortages also exert a disproportionate adverse effect on the poorest segment of the population. Upward production fluctuations depress producer prices and can discourage farmers from producing more cereals for the market, thus, thwarting the national goal of increasing cereal production for the market. A second category of problems involves imperfections among regional grain markets and high marketing costs.

UNITED STATES GOVERNMENT

Memorandum

TO : The files for project 686-0243

DATE: August 21, 1979

FROM : James T. Smith, Program Economist *JTS*

SUBJECT: Grain Marketing Development Project Approval

The USAID Mission project review committee met August 6, 1979, and approved the Grain Marketing Development Project (686-0243). The project was reviewed by the Ambassador and approved on August 21, 1979.

Thomas Boyatt, Ambassador *Thomas Boyatt*

Richard Meyer, Acting Mission Director *Richard C. Meyer*

Samir Zoghby, Chief, Rural Development Division *Samir Zoghby*

Michael Rugh, Acting Chief, Program Division *Michael A. Rugh*

Gary Byllesby, Acting Controller *Gary H. Byllesby*

Donald Clark, Capital Projects Development Officer *Don Clark*

Robert Kramer, Financial Analyst *Gary H. Byllesby for*

James Smith, Program Economist *James T. Smith*



ANNEX I

OFNACER

Organization of the Campaign 1978 - 79

The 1978-79 buying campaign is the first successful attempt to purchase cereals locally by OFNACER. In previous campaigns, purchases were made by ORDs or other organizations and turned over to OFNACER. Table 1 shows the distribution of purchases by type of agents and location. The success of this campaign is due to the direct buying methods used and a price which was higher than the market price in some regions for a number of months after the harvest. The purpose of this annex is to describe the organization of the campaign and the planning which was done in preparation for the campaign, in order to acquaint the reader with OFNACER's procedures and comment upon how the project will help improve those procedures.

Price setting

One of the most important decisions to be made is the setting of official prices to the producer and to the consumer. For the 1978-79 campaign, a German expert set forth certain guidelines for fixing the official buying price. He advised OFNACER that a single fixed price should be considered among a number of alternative pricing methods, but then based his recommendation on the likelihood that the policy of a single national fixed price would prevail. On the basis of a 500 kg/ha average yield for millet and sorghum, and hypothetical input costs, he recommended a price between 35 and 45 CFA/kg.

TABLE 1

OFNACER Grain Purchases, 1978-79 (metric tons)

<u>Region</u>	<u>OFNACER agents</u>	<u>Village groups</u>	<u>Unlicensed traders</u>	<u>Licensed traders</u>	<u>Total</u>
Fada N'Gourma	913	-	301	-	1,214
Koupela	1,387	37	23	-	1,497
Kaya	1	21	-	-	22
Ouagadougou	1,831	1,513	609	305	4,258
Koudougou	361	-	66	150	577
Ouahigouya	72	128	3	61	264
Dedougou	2,265	-	640	365	3,270
Bobo-Dioulasso	128	2,217	1,175	357	3,877
Dori	<u>113</u>	<u>126</u>	<u>52</u>	<u>15</u>	<u>306</u>
TOTAL	7,071	4,092	2,869	1,253	15,285

Given the Voltaic objective of achieving food self-sufficiency, he correctly pointed out that the buying price would have to be competitive with the prices of cotton and peanuts and with the prices of food imports. He did not question the often repeated goal of regional food self-sufficiency.

Mr. Von Bieler, the German expert, provided OFNACER with a simple analysis which placed strong emphasis on raising the producer price to encourage food production.^{1/} This analysis was presented to the Interministerial Commission charged with the study of cereal marketing problems. In their report to the Minister of Rural Development, the Commission adopted Von Bieler's recommendation of a buying price between 35 and 45 citing the need to encourage production and attain self-sufficiency.

The selling price was determined through a detailed budget estimation exercise in which OFNACER calculated its average operating cost per kilogram of grain handled. These costs were then added to the buying price to arrive at a selling price which, according to this calculation, would allow OFNACER to cover its costs of operation.

This process is often subject to political pressures to keep prices down to consumers. However, the GOUV has ordered OFNACER to be a public establishment that is financially autonomous. ^{2/} OFNACER receives no budgetary support from the Government, depending entirely upon proceeds from its cereals marketing to pay its operating costs.

Since it is required to be financially autonomous, OFNACER prepares its best estimate of true operating costs and divides these costs by the tonnage it expects to handle. This average cost per ton (or per kilogram) is added to the buying price to calculate the selling price which will allow the Office to cover its costs (including depreciation of physical plant and costs of borrowing, but excluding the opportunity cost of its capital). On the basis of these calculations, OFNACER presents its recommendations for buying price, operating margin, and selling price.

^{1/} Von Bieler, "Proposition sommaire de prix pour mil/sorgho, campagne 1978-79", OFNACER, Ouagadougou, etc 1978.

^{2/} "Ordonnance No. 71/003/PRES/MFC portant creation d'un Office National des Cereales", article 1er.

The reasoning of OFNACER management in following this procedure is clear. If the Interministerial Commission asks OFNACER to operate with a smaller margin, the office will be able to present a strong case for budgetary support from the central Government. Given the deficit position of current and expected national budgets, the GOUV is not able to subsidize OFNACER. Unless the commission can challenge the validity of OFNACER's cost estimates, it is likely to approve the recommendations put forward by the cereals office.

The procedure does not guarantee OFNACER's financial autonomy since the Office may have a tendency to underestimate its costs so as not to set too high a selling price. Over time, the process should improve as OFNACER management gains experience in anticipating unusual costs and problems of market intervention which add to expected operating costs. As long as the GOUV insists on financial autonomy for the office, OFNACER should be able to insist upon the principle of covering its operating costs and set its prices accordingly.

Campaign Plans and Results

For the first time, methods were adopted of buying directly from village groups, from unlicensed merchants, and in local markets instead of relying solely on unenforceable contracts with licensed merchants (commerçants agréés). Instead of ending the year with virtually no local grain, OFNACER was able to acquire 15,285 metric tons of locally grown grain. The publicly announced goals were to purchase 8,720 tons directly and to rely on licensed merchants to deliver 21,280 tons to OFNACER. As the campaign proceeded, OFNACER revised its direct buying goal upward and, as the marketing specialist had predicted, the goal for licensed merchants proved to be highly unrealistic.

While their system for keeping track of crop status and market conditions is very poor, OFNACER nonetheless tried to determine where to deploy its limited resources to purchase the targetted amount of grain. The planned purchases and actual direct purchases by region are shown below.

Direct Purchase of Grain

OFNACER 1978-79

<u>Region</u>	<u>Planned purchases (tons)</u>	<u>Actual purchases (tons)</u>	<u>Proportion actual to planned</u>	<u>Buying centers</u>
Fada N'Gourma	1,200	1,214	1.01	12
Koupela	1,200	1,497	1.25	5
Ouagadougou	800	3,953	4.94	3
Koudougou	1,000	427	.43	9
Ouahigouya	400	203	.51	4
Dedougou	2,000	2,905	1.45	7
Bobo-Dioulasso/Gaoua	1,700	3,521	2.07	12
Dori	120	290	2.42	4
Kaya	300	22	.07	9
TOTAL	8,720	14,032	1.61	65

The ability to plan accurately is one of the prerequisites to effective market intervention. Better information on crop conditions would have permitted OFNACER to commit no resources to the Kaya region and fewer to Koudougou and Ouahigouya, sending agents instead to Ouagadougou, Bobo-Dioulasso and Dedougou regions. Delays in recognizing misallocations and then reallocating are costly in terms of missed opportunities to purchase grain in surplus areas. Results of this year's campaign are indicative of resource misallocation at the start of the campaign.

Nonetheless, considering its non-quantitative data base, OFNACER did a reasonably good job of predicting important buying areas. The project will contribute to the improvement of its data collection and analysis as explained in Supplementary Annex VI, and thereby contribute to the effectiveness of its resource allocation decisions.

New Procedures for the 1979-80 Campaign

For the 1978-79 campaign, the buying and selling prices were both set in September. OFNACER is attempting to institute a new procedure for the 1979-80 campaign. It will request that only the buying price be set in August and that the selling price be determined at a second meeting in April at the conclusion of the buying campaign. This will permit the office to estimate its handling costs more realistically and set a more realistic margin, thereby reducing the risk of incurring a deficit.

OFNACER is experimenting with approaches to cereals marketing with which it has never before had experience. Its willingness to consider new methods and to heed the advice of outside experts is encouraging and promising. The evolution of its approach to price policy and marketing is one example of OFNACER's search for more effective ways of intervening in the cereals markets.

ANNEX II

Collection, Analysis and Utilization of Data: OFNACER's Capabilities and Needs

OFNACER is a large, complex and important organization. It is responsible for buying, transporting, storing and selling a significant proportion of the nation's basic food grain needs (40 percent of marketed cereals is the long-term goal). Grain purchases in 1978-79 were 15,000 tons; plans call for eventual average annual purchases and sales of 60,000 tons. All official grain imports are funnelled through OFNACER warehouses, the free distribution portion of which is also accomplished by OFNACER.

As of mid 1979 some 179 full-time workers were employed at OFNACER central headquarters in Ouagadougou. Another 224 were in field locations at the 10 regional procurement/sales/storage centers, 16 urban sales outlets in Ouagadougou and Bobo-Dioulasso, and in their 65 buying centers. Part of their grain sales are channeled through at least 65 sales centers administered by sous-prefects.

Management and planning are complicated by the nature of OFNACER's quasi-public status and by its multiple objectives. While its basic charge is enhancement of public welfare it must also engage in business operations. Conflicts arise when it is called upon to serve welfare objectives at the expense of operating efficiency. Costs of buying grain in remote rural areas, for example, will not be recouped where buying prices are uniform across all areas of the country; losses incurred in some purchases and sales must be made up via higher overall margins. Operation of OFNACER on a business-like basis is thus limited to the extent that welfare goals are in conflict with good business (profit-maximizing) practices. Nor do the various welfare objectives necessarily complement each other. To the extent they are separate groups, the interests of grain producers and consumers tend to conflict. Producers desire higher prices, consumers want lower prices. Consumers in one locality may be in competition with consumers in other localities for access to limited amounts of OFNACER sales. Producers from one area may be in competition with those from another for limited OFNACER purchases. In short, OFNACER has a large and important task in meeting its varied objectives as equitably and as efficiently as possible.

Successful management of an operation as large, as complex and as important as that of OFNACER requires dedication, ability and skill. It also requires access to timely and reliable information describing pertinent endogenous and exogenous variables. The most skilled management imaginable would be stymied by inaccessibility of pertinent, accurate and timely data bearing upon their operations. They would be badly handicapped if the data were available but not adequately tabulated and analyzed. It is crucial then that the "right" data be available at the "right" time in the "right" form and that it be subjected to appropriate kinds of analyses.

Data Needs

Efficient management of OFNACER's ongoing operations and rational planning for its longer-term deployment of resources are dependent in a direct and critical way on availability and interpretation of certain basic data services. In the short-term, at a minimum, the following variables must be monitored: monthly (better yet weekly) market prices, by grain type, by markets (market areas served by OFNACER), in standardized measures & qualities; monthly (preferably weekly) inventory levels of each grain type at each OFNACER storage site; monthly (at least) receipts and shipments for each site, by grain type, by origin/destination; monthly crop and weather conditions by area. These data must be tabulated, summarized and analyzed at central headquarters if they are to be of value to management. Timely and appropriate analysis of current data will enable OFNACER to anticipate procurement opportunities and sales demands and to take appropriate measures to assure its storage and transport resources are efficiently deployed to meet the needs.

In the longer-term the following additional variables must be monitored: annual crop yields, outputs, estimated total marketings and marketings to OFNACER (all by grain and by area); historical monthly distribution of OFNACER purchases by area and by grains; long-term monthly patterns of rainfall, temperature and relative humidity by meteorological reporting station; long-term price patterns by grain and market area; long-term production and consumption trends by grain and area; and world grain supply and demand condition, especially conditions in neighboring countries. These data must be summarized and evaluated each year prior to 1) organization of the buying campaign and 2) prior to establishment of official selling prices. Longer-term trends must be monitored regularly for guidance in facility investment plans, programming imports (and possibly exports), establishing personnel hiring and training needs and in longer-term stock accumulation/withdrawal planning.

The above needs are central to successful management and planning, but the list is not comprehensive. Effective financial planning and personnel management require collection and evaluation of certain other data series. These needs are discussed elsewhere (see the section on Administrative Feasibility).

In most instances the above data needs are being met poorly if at all. The state of the art of agricultural data collection and analysis in Upper Volta is rudimentary at best. Part of the data are collected by OFNACER, part by other GOUV agencies, part not at all. Most of the data have gaps, most are of questionable reliability, and some are not available at all. Lengthy delays generally occur between collection, assembly, tabulation, publication, distribution and analysis stages. Much of the data do not reach the final two stages. Such analysis as is performed is generally of a naive nature and dependent on a weak data base.

Current Situation

Price Data

There are four known historical and ongoing series of market price data: OFNACER, the ORD's, the GOUV statistical Service and the West African Central Bank (BCEAO). OFNACER warehouse managers theoretically submit monthly reports to central headquarters of local market prices and crop conditions. Price information is very sketchy, reliability is highly suspect and many warehousemen fail to report. Central headquarters does not tabulate the data. At least some of the ORD's require their extension agents to collect market prices on a bi-weekly basis. Resulting data are available only at the individual ORD's as they are not collected in Ouagadougou. A sampling from these series was collected and published in the CILSS Report.^{1/} Analyses performed on the data by the CILSS team were inconclusive; the data are of questionable reliability. Two agencies, the Government's Service de Statistiques, and the BCEAO (in Ouagadougou) have both collected monthly price data in Ouagadougou markets for several years.

Michigan State University has recently completed an intensive survey in the Fada N'Gourma area at farm and local market levels. Bi-monthly prices were collected over a one-year period for major cereal grains in each of nine markets.

^{1/} CILSS/Club du Sahel. Working Group on Marketing Price Policy and Storage, Marketing Price Policy and Storage of Food Grains in the Sahel, A Survey. 2 vols. Center for Research on Economic Devel., Univ. of Michigan, Ann Arbor, August, 1977.

Special care was taken to assure that grain quality and measure sizes were as uniform as possible. Results of the study have not yet been published or the data fully tabulated. A preliminary tabulation of the price data suggests that prices in the nine markets are fairly well tied together. Prices tend to rise subsequent to harvest, but not to the extent claimed by many proponents of the "monopsonist commercants" theory. The simple average (no weighting by quantities traded) of the price increases (comparing lowest annual price with highest annual price for each market) was 169 percent. However, the price series extended from January 1978 through March 1979; placing the harvest period about in the center of the temporal series; some of the price movement may have been of a secular rather than a seasonal nature. Some of the observations are suspect as they represent rather extreme temporary ups or downs in an otherwise gradual and consistent pattern of change. A member of the MSU study team emphasized that many problems were encountered in gathering the data; among the more troublesome were standardization of quality and of measures in market settings where measures employed (as opposed to weights) are highly variable. Problems in assuring that observations were representative of average trades were also troublesome.

That the MSU team experienced difficulties in carrying out a very serious and careful series of price measurements creates great doubt as to the validity of measurements taken by much less sophisticated means. It appears that there are three major sources of potential errors in the major "oltaic price series.

1. Units of measurement vary. The "tine", six of which nominally equal 100 kg, is a common but far from standard unit of grain measurement. But it is a measure of volume rather than weight and may vary significantly from one "tine" to another. There are many other measuring devices in use, the size and type varying from one local market to another. There are, for example, the "yoruba plate" and the "manga bowl" (7 of the latter are approximately equal to a tine). In other locations grain is sold in calabashes of varying sizes and shapes. Except in wholesale trade, as in the major Ouagadougou market, weight measures are almost never employed. Even at Ouagadougou the scales are used primarily as a backup for the few merchants who may insist on their use.
2. Enumerators may fail to account for quality differences. Such differences are sometimes believed to be substantial. Major variables include:

- a) Age of grain. Old crop grain is less desirable than new crop grain and may command a substantially reduced price especially in times when grain is relatively plentiful.
 - b) Variety. Varietal differences are considerable as traditional varieties have evolved which are adapted to a host of local micro-climates. Some varieties meet with greater consumer acceptance than others. Earlier maturing varieties of sorghum, for example, do not store as well as later varieties and are therefore less valuable.
 - c) Foreign material. Although grain observed in markets tends generally to be relatively free of chaff, sticks, stones and other foreign matter, it is not uniformly so.
 - d) Damaged grain. In a climate as adverse and as unpredictable as that in Upper Volta, grain which has been stunted by drought making it light and chaffy is likely to appear at times. Insect damage may occasionally be found, especially in pulse crops.
- 3) Price reporters tend not to be well trained. The only meaningful market prices are those at which actual transactions take place. Moreover, prices vary depending on who is doing the buying (and selling). Outsiders, including nomads and people from other villages are said to pay more than local residents. The meaning of price quotations solicited by government reporters may be hard to evaluate. Many of the observations in historical price series were made at times when private traders were illegal or when "official" legal prices were in effect, conditions that must have posed problems for government price reporters. The price controls themselves and the restrictions imposed on private traders may have had a major impact at times on market prices. Timing of food aid deliveries may have had a significant effect on market prices at certain times and in certain places.

Beyond the problems in market price collection there is a host of difficulties inherent in their interpretation: since marketing cost levels in the private sector are not known, it is impossible to evaluate the efficiency of observed temporal or spatial price differentials. It is difficult to establish whether producer prices are too low because there are no reliable elasticity estimates, either for production or marketing response, with which to estimate

how high prices must be to achieve any given level of output or marketings. Crop production cost estimates, with which one might determine the comparative advantage of alternative crops, are generally not available.

Encouragement of added grain production at the expense of export crops, for example, may or may not make economic sense. Nor can it be established whether the terms of trade between agriculture and the non-agricultural sectors has improved or worsened over time. It is apparent that official grain (procurement) prices in Upper Volta are favorable relative to prices in certain neighboring countries. OFNACER has bought significant amounts of corn in areas bordering on Ghana during the past year. Based on patterns of regional procurement and on the fact that official coarse grain prices in Mali are only one-half those in Upper Volta, it is probable that a significant part of OFNACER's 1978-79 purchases came from Mali.

Crop Production Data

The Direction of Agricultural Services, an arm of the Ministry of Rural Development, is responsible for the collection, tabulation and publication of annual yield, hectare and production estimates. Data collection efforts are centered on the ORDs, with Extension Service agents doing the field work. Results of crop cuttings and "eyeball" estimates are forwarded to the Agricultural Services for tabulation and eventual publication. The task is accomplished by a Statistics Group comprised of only two statisticians, a fact which no doubt explains why preliminary (unpublished) national and regional production estimates are not available until several months after each harvest. Another major problem is that the regional estimates must be approved by the respective ORD committees which meet only once per year. It is another year before the published versions are available. The resulting data are generally unreliable. Guesswork rather than scientific sampling procedures is the mode of collection, with resulting samples likely to be unrepresentative of actual populations.

Crop Growing Conditions

Two government agencies monitor growing conditions: the Direction of Agricultural Services (DSA) and OFNACER. DSA assigns its crop data collectors to the ORD's. Monthly data are gathered describing plantings by crop, insect and

disease infestations, weather conditions and progress of agricultural campaigns. A lack of scientific sampling procedures limits the value of the data. OFNACER warehouse managers supposedly make monthly reports of crop growing conditions for the use of the central headquarters. Inspection of report records indicates the reporting is incomplete and of little value.

Weather Data

The Association de Securite de la Navigation Aerienne (ASECNA) collects, tabulates and publishes basic weather data. Observations are taken eight times each day at each of seven scattered reporting stations of precipitation, atmospheric pressure, temperature and relative humidity. The data are published only once every 10 years, 1971 being the last edition. While the long-term published series are valuable in their present form for the insights they provide to grain storage conditions in various parts of the country, the precipitation data would be of value in assessing crop growing conditions only if they were tabulated and distributed regularly through the growing season.

International Supply and Demand Conditions

No known formalized effort exists for monitoring production and consumption prospects outside Upper Volta. Such information as is available is apparently developed on an ad hoc basis.

Internal Operating Data

Data describing grain inventories, shipments and receipts (by destination/origin) are forwarded monthly to OFNACER headquarters by each of the regional warehouse managers. These reports appear to be complete and timely. The results, however, are not summarized at Ouagadougou, making their value to management very limited.

Consumption Data

Consumption estimates are made by the Ministry of Rural Development, using the 1975 Census of Population as a base. The estimates are very crude, and basically assume that, on average, every person consumes 180 kg of cereal grains per year. The Michigan State University team at Fada N'Gourma is presently engaged in a consumption study

as is a Swiss graduate student working in Ouagadougou. Hopefully their findings will bring greater refinement to consumption estimates and projections for Upper Volta.

Implications

The agricultural data base in Upper Volta is extremely limited. Information needed for agricultural development planning is in most instances simply not available. Data which are available are often of questionable accuracy and too untimely to be of great value. OFNACER experiences problems in obtaining its basic data needs. It has been forced to collect some types of data (production estimates, growing conditions) that would be better collected by agriculturists because such data are not elsewhere available in a form and quality required. Ideally, OFNACER should collect only data describing its own internal operations and other data it alone has need for. Basic agricultural data collection, analysis and dissemination efforts should be centered in the Ministry of Rural Development and not in OFNACER.

The present project is aimed in a very modest way at improving OFNACER's data gathering and analytical capabilities. It does not address the more fundamental data crisis which exists throughout the agricultural sector. Efforts to correct the larger shortcoming will have to be on a much larger scale and extend over a much longer time frame than will the present project.

Much of the time of the technical assistance personnel associated with the current project will be occupied in assisting OFNACER in meeting its various data and analysis needs. In developing improved capabilities in this one operating agency a small base may be laid, however, for further development of more comprehensive systems of data collection, analysis and distribution. In that sense benefits from the project should extend beyond OFNACER and its direct beneficiaries.

ANNEX III

OFNACER Storage and Transport Capacity

Storage facilities and policies are critical elements in any marketing system. Storage facilitates the physical transfer of commodities from the point of production to the ultimate consumer. It is a major part of any buffering system, i.e., mechanisms which smooth out temporary excesses in commodity supply and demand in time and space. As such, it allows short-run variations in supply and demand to affect the size of the inventory rather than the price of the commodity. From this view, then, the volume location and the quality of stored food grains maintained at all levels is an integral part of the marketing process.

In addition, grain storage is obviously relevant to protection against the risk of drought. This is the "Emergency Reserve" aspect of the storage question.

In Upper Volta, as elsewhere, clear discussion of storage issues is hindered by the lack of agreement on what public storage capacity actually exists in the country. Thus, a 1975 IBRD document estimates Upper Volta's public capacity to be 46,000 tons. But in answer to the CILSS/Club questionnaire, a total of 27,500 tons was reported as follows:

Table 1. Storage Capacity by Type
Estimated from CILSS/Club Questionnaire Response

	<u>Metric tons</u>	<u>Type of Structure</u>
Ouagadougou	15,000 <u>1/</u>	concrete, prefabricated
Bobo-Dioulasso	3,000	concrete, prefabricated
Fada-N'Gourma	3,000	concrete
Kaya	1,500	concrete
Dori	500	concrete
Ouahigouya	1,500	concrete
Koupela	1,500	concrete
Dedougou	<u>1,500</u>	<u>concrete</u>
TOTAL	27,500	

1/ Includes 3,000 mt. silo butyl financed by FAO/FSAP (RFA).

In part, these differences derive from different definitions of what constitutes storage capacity. Does it include, for example, privately owned buildings rented by government agencies for grain storage purposes, or school rooms used to store bagged grain? Also, the different estimates are due to the rapidity of change.

All these estimates ignore the most substantial element in national storage - that which takes place on the farm. One local specialist estimated total storage capacity as follows in 1976:

Table 2
Storage Capacity, Unofficial Estimate

		<u>Tons</u>
Government		54,000
OFNACER	14,000	
ORDs	20,800	
Cement	5,800	
Aluminum	15,000	
Sous-Comite	8,200	
Cement	8,200	
Emergency Reserve Project	11,000	
Farmers		1,600,000
Traders		<u>33,000</u>
		1,687,000

These figures highlight the importance of on-farm storage capacity; and they show how difficult it is to find common estimates of volumes of available public storage capacity.

In Upper Volta, storage programs have focused primarily on increasing the capacity and improvements in structures at the national level. Publicly owned and operated storage facilities have expanded with the creation of the specialized grain marketing agency OFNACER. In its initial phase, the agency's major activity consisted of the handling of drought-related food grain movements, and the expansion reflected the concern of international donors that there be adequate facilities to position grain stocks in deficit production areas. Table 1, based on the response to the CILSS storage question-

naire, shows recently financed storage capacity by type of structure and area. Except for the 3,000 MT. capacity in Koupela and Dedougou, the increase and modernization of grain storage facilities has been entirely externally financed.

Planned investment in the storage area envisions the establishment of a National Emergency Reserve. Under the reserve policy, purchases of 20,000 MT. of local millet and sorghum and investment in physical facilities adequate for long-term storage would be required. An initial project funded through FAO/OSRO resulted in the purchase of 5,800 MT. of local grains to constitute an emergency reserve in the Sahel ORD. The full 20,000 tons of capacity was in place by mid-1978, but over half the capacity was in temporary structures.

In response to an inquiry in June of 1979 OFNACER provided information on its storage capacity, distribution and planned expansion. The data are shown in Table 3.

Construction planned under the continuing FRG Security Stock project (formerly FAO/OSRO) is somewhat less centralized than existing long-term storage, but major emphasis is placed on increasing capacity in Ouagadougou, Bobo-Dioulasso and Dedougou. (See Table 3). No further construction is planned for the Sahel region which already has a third of existing permanent structures. The proposed USAID project will increase permanent storage capacity by up to 20 per cent and enable OFNACER to decentralize the location of grain stocks.

Upper Volta has increased its security stock target to 30,000 metric tons. This is less than half the necessary stock according to an FAO prefeasibility study prepared for CILSS.^{1/} Furthermore, it is still among the more modest of national objectives for a security stock in the Sahel.

The proposed sub-prefecture level storage will permit prepositioning of stocks in deficit areas with far less risk of infestation by insects or loss due to excessive heat or poor management in inadequate storage structures by untrained sub-prefecture personnel. The new infrastructure will allow OFNACER to economize on the use of transport by reducing the need to centralize stocks before distribution. Through better planning of prepositioning and with suitable, well-managed warehouses OFNACER will be able to continue to serve areas which are totally cut off in the rainy season. Through its presence

^{1/} Not yet released to the public. FAO, "Etude de prefactibilite sur les stocks de securite d'urgence aux niveau national et et regional au Sahel", avril 1979.

Table 3
Existing and Planned
Long-Term Storage Structures (OFNACER)

	<u>Existing</u>	<u>\$ of Existing</u>	<u>Planned</u>	<u>Total</u>	<u>% of Total</u>
Ouagadougou	6,000	21.8	3,000	9,000	20.0
Bobo-Dioulasso	3,000	10.9	2,000	5,000	11.1
Dedougou	1,500 ^{1/}	5.5	2,000	3,500	7.8
Fada N'Gourma	3,000	10.9	-	3,000	6.7
Koupelela	1,500	5.5	-	1,500	3.3
Tenkodogo	-	-	1,000	1,000	2.2
Kaya	1,500	5.5	-	1,500	3.3
Koudougou	-	-	1,000	1,000	2.2
Gaoua	-	-	1,000	1,000	2.2
Dori	500	1.8	-	500	1.1
Ouahigouya	1,500	5.5	-	1,500	3.3
(OFNACER) Sahel Region	9,000	32.7	-	9,000	20.0
Subprefecture Warehouses (Max.)	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>16.7</u>
TOTAL	27,500	100.1	17,500	45,000	99.9

Temporary Storage Structures (OFNACER)

Quonset building - Ouagadougou	6,000
Butyl Silos - Ouagadougou	6,500
Bobo-Dioulasso	1,500
Dedougou	<u>2,000</u>
TOTAL	16,000

ORD Storage Capacity (est.)

Cement (Sahel Region)	8,200
Cement	5,800
Aluminum	<u>15,000</u>
TOTAL	29,000

^{1/} Construction in final phase.

in rural markets, OFNACER will be better able to smooth out temporary excesses in food grain supply and demand and to respond more effectively to harvest failures.

Transport capacity is deemed adequate by OFNACER officials and the Swiss are working to improve the office's repair and maintenance capability. A large fleet of trucks substitutes for inadequate public storage in rural areas. As long as roads are open, small deliveries can be made for rapid turnover of stocks where they cannot be kept in large quantities for long periods of time. The OFNACER transport capacity is listed below in Table 4.

Table 4
The OFNACER Truck Fleet

<u>Type and capacity of truck</u>	<u>Number</u>	<u>Total Capacity (Tons)</u>
25 T	2	50
13 T	6	78
13 T, all terrain	2	26
12 T	3	36
10 T	3	30
7 T, all terrain	6	42
7 T	3	21
5 T	<u>5</u>	<u>25</u>
TOTAL	30	308

ANNEX IV

Economics of Grain Price Stabilization in Upper Volta: Examination of the OFNACER Proposal.

Stabilization of cereals prices has long been a goal of Sahelian governments. A.I.D. has supported this effort by financing a project specifically focused on a grain price stabilization program, the 1972 Entente Grain Stabilization Project, in Upper Volta and Niger. The project did not stabilize cereals prices but it did reinforce the idea that prices ought to be constrained within a band of maximum and minimum prices determined by the government.

In addition to the desire to stabilize prices, each Sahelian government has followed a policy of uniform pricing throughout the country for a large variety of goods, particularly for food grain. The disadvantages of uniform pricing in terms of discouraging specialization and exchange are well known. The principal reason cited for this policy is the political necessity of treating all ethnic groups the same. 1/

The goals of constraining prices in all regions of the country within a predetermined, fixed band and operating a financially autonomous cereals office are generally incompatible. However, starting with this policy framework and given its very modest analytic capability, OFNACER has drawn up a proposal to operate within this policy framework. The OFNACER proposal recognizes that in order to increase its chances for success, OFNACER must set a margin between the buying and selling price which covers its expected operating costs and it must capture a significant share of the market to influence prices in the market.

The proposal does not contain two ideas which have only recently been rejected as unrealistic by all Sahelians except the Malians. First is the idea that the state should monopolize the grain market to control prices. This has been replaced by the more realistic goal of influencing the market. Second is the deliberate understatement of true operating costs to keep official consumer prices as low as possible. As a financially autonomous organization, OFNACER estimates its average

1/ The financial cost to a cereals office of implementing this social policy of uniform national prices was clearly stated at the Nouakchott CILSS/Club Colloquium on Cereals Policy in July, 1979.

operating costs as realistically as possible. If the GOUV then wants to hold down consumer prices, the cereals office has a strong argument for a budgetary subsidy from the central government.

OFNACER has thus come a long way from earlier years of abortive attempts at monopoly and totally unrealistic pricing. Despite the fact that their current policies are more realistic, the GOUV and OFNACER have not yet arrived at a formula for both stabilizing cereals prices to some extent and maintaining the financial autonomy of OFNACER. One of the purposes of this project is to develop within OFNACER the analytic capability to propose policy changes which continue the movement towards realistic policy making.

The purpose of this annex is to examine briefly the economic logic of certain aspects of the proposal by OFNACER to buy and sell a fixed amount of grain at predetermined, fixed prices as a means to achieve price stabilization. The annex is intended to illustrate the complexity of cereals price manipulation, to suggest that grain price stabilization is not well developed at the conceptual level and that the empirical basis for action is extremely weak. The annex presents arguments in support of the hypothesis that it will not be possible for OFNACER to meet all of its objectives and still operate within its constraints. It is hoped that this annex will contribute to the analyses of the planning unit by providing hypotheses (premises) to be verified or rejected through the practical experience of OFNACER's operations in the grain markets and that these analyses will lead to the reformulation of cereals marketing and price policies.

The annex is organized into three sections. The first section presents the main elements of the OFNACER proposal to stabilize cereal prices. The second section lists three core premises underlying the proposal and a discussion of each premise. The third section provides an overview and a summary of implications.

The Proposal for Cereal Price Stabilization

The OFNACER plan is relatively simple and straight forward. Over a given period OFNACER will acquire grain from donors for sale in the local market. The revenue generated will be used to finance new domestic purchases of 60,000 MT. The operation will be in addition to other functions such as handling emergency food shipments and maintaining a security stock. The process will then be repeated each crop

cycle. The 60,000 MT. of annual purchases represents approximately 40 percent of all grain marketed in Upper Volta each year. OFNACER will sell the grain through its own retail outlets to consumers in the post harvest season at a fixed price. Cereal purchases will be made by OFNACER during and just after each harvest. The producer price will be estimated prior to the planting season and, after approval by an interministerial committee, announced to the public. The farm price will be set high enough to serve as an incentive to encourage farmers to produce more food grains. Sometime near the end of the OFNACER buying campaign the consumer price will be announced.

In the 1978/79 season the official producer price for millet and white sorghum was 40 FCFA per kg. and red sorghum was 30 FCFA per kg. A 17 FCFA per kg. marketing margin was added to comprise the official consumer price. A similar pricing practice will be used in future years although price levels can vary from year to year.

In addition to its own buying agents and teams, OFNACER will continue to use both licensed and unlicensed traders to collect grain from farmers for resale to OFNACER. The traders are obliged to buy at the official price and resell to OFNACER at the official price plus a set margin. OFNACER plans to offer an incentive producer price every year to stimulate long-term growth in grain production. It is also anticipated that OFNACER will increase its coverage of the retail market by expanding the number of retail outlets in rural areas.

Grain marketing activities by private traders are and will continue to be open and unregulated. Only traders buying grain under contract for resale to OFNACER will require a license. The only requirement to obtain a license is that the trader establish the fact that he has sufficient capital to satisfy the terms of the contract. Thus, OFNACER will be operating side-by-side with private traders ranging from farmers who occasionally sell their grain to consumers or middlemen to large dealers who operate several trucks and conduct transactions measured in tons. OFNACER will essentially be a single very large trader operating in a competitive market.

The central government will not provide direct budget support to OFNACER. It will, therefore, be necessary for the grain agency to support itself from its grain transactions.

TABLE 1

Variations in Millet Prices on the Same Market Within One Year (CFA/100kg)

Variations Annuelles des Prix du Mil sur un meme Marche (CFA/100kg)

Market	YEAR	MINIMUM	MAXIMUM	MEAN	COEFFICIENT OF VARIAT.	MAXIMUM / MINIMUM
OUAGADOUGOU	62	1800	3300	2675.0	.1344	1.833
	63	2000	3400	2550.0	.1591	1.700
	64	1900	3000	2475.0	.1229	1.579
	65	1900	2900	2291.7	.1435	1.526
	66	1900	3100	2608.3	.1343	1.632
	67	2200	3200	2713.3	.1186	1.455
	68	1600	2800	2033.3	.1960	1.750
	69	1867	3650	2812.5	.1875	1.955
	70	2600	3900	3200.0	.1099	1.500
	71	3000	4900	3991.7	.1632	1.633
	72	2700	5800	4075.0	.1969	2.148
	73	3400	7600	5991.7	.2163	2.235
	74	3600	7900	5775.0	.2188	2.194
	75	2500	5700	4441.7	.2673	2.280
	MANGA	76	3600	7000	5100.0	.2019	1.944
62		1900	2500	2100	.1166	1.316
YAKO	63	2200	4000	2883.3	.2005	1.818
	62	1500	2300	1848.6	.1418	1.533
TOUGAN DEDOUGOU	63	1566	2500	2034.7	.1516	1.596
	62	1000	1600	1325.0	.1444	1.600
KAYA	62	1000	1500	1233.3	.1444	1.500
	62	1400	1600	1475.0	.0583	1.143
DORI	63	1500	3200	2237.5	.2077	2.133
	62	700	1500	1058.3	.2625	2.143
FADA N'GOURMA OUAHIGOUYA	63	1250	2000	1537.5	.1917	1.600
	62	1400	2200	1800.0	.2119	1.571
BOBO KOUDOUYOU	62	1500	2800	2187.5	.1935	1.866
	62	1200	2000	1808.3	.1301	1.666
KOUPELA TENKODOGO	62	2000	3200	2425.0	.2253	1.600
	68	1100	1500	1266.7	.1028	1.250
	69	1800	3000	2333.3	.1708	1.667
	73*	2600	3700	3085.7	.1190	1.423
POUYTENGA GARANGO	76	2060	5150	3723.9	.3197	2.500
	76	1440	6180	3510.0	.4685	4.292
PO KAMPALA	76	2680	5150	3488.3	.2694	1.922
	76	2550	4700	4064.4	.1868	1.843
PAUNKUYAN	76	2550	5830	4233.9	.2522	2.286
	76	2550	5640	4232.2	.2508	2.212

* Seven months: June - December
Sept mois : juin - decembre

- 1/ The "coefficient of variation" is the standard deviation divided by the mean of the annual price series. The coefficient of variation shows how much (in percentage terms) prices on the average diverge from the annual average price; for example, a value of .13 means that, on the average, monthly prices were within 13 percent of the year's average price.

- 2/ The "maximum/minimum" is the ratio of the year's maximum price to the year's minimum price. By reducing this ratio by one, it shows the percentage increase of the maximum price over the minimum price; for example, the number 1.83 means that the year's maximum price exceeded the year's minimum price by 83 percent. The maximum/minimum ratio is particularly sensitive to sampling error and tends to overstate the degree of change because we have no idea how representative the extreme prices are of actual market prices.

Source: CILSS/Club du Sahel, Working Group on Marketing, Price Policy, and Storage, Marketing, Price Policy, and Storage of Food Grain in the Sahel, A Survey, vol. II., Upper Volta country Study, Table IX, p. 54

OFNACER officials expect that the purchase and resale of 60,000 MT. of domestic grains each year will be sufficient to establish effective floor and ceiling prices. In the OFNACER plan for the 1979-80 season they anticipate having enough funds to purchase 30,000 metric tons of local grain, half of their 60,000 MT. goal for annual operations.

Examination of Plan Premises

The first premise is that the price of grain fluctuates excessively over the period of the annual crop cycle. There is no doubt that cereal prices fluctuate in Upper Volta. The irregular levels, timing and distribution of rainfall are certain to cause variations. Furthermore, the amount of grain marketed can be expected to vary considerable more than the amount actually produced (e.g. assume 15 percent of one million MT. is marketed in one year, or 150,000 MT. Assume production falls by 10 percent to 900,000 MT. the next year and farmers retain 850,000 MT. as they did in the preceding year. The amount marketed drops by 100,000 MT. for a 67 percent change.)

There is no conclusive evidence that extraordinary price changes occur in Upper Volta, at least changes which could be avoided if the government bought and sold the grain instead of the private sector. The CILSS/Club Cereals Survey collected intra-annual market price data from ORDs throughout Upper Volta and measured seasonal price variations. (See Table 1) The data do not reveal extraordinary price fluctuations. The table shows two different measures of intra-annual price variation for several different years in 18 Voltaic towns and cities.

Table 1 shows that out of 38 instances, only 14 recorded an average price divergence of more than 20 percent. All of those instances with a coefficient greater than 20 percent occurred during the 73-76 drought and post-drought years. The average maximum/minimum ratio for the entire series is 1.86 (86 percent) or 1.64 (64 percent) if the years 1973-76 are deleted.

In examining OFNACER regional coordinator records, the PP design team found only one price series (for Ouahigouya). The data covered a seven-month time span starting in the 1978 pre-harvest period (in September). The maximum/minimum price ratio was 1.12. Casual conversations with dealers in markets in Ouagadougou and Manga, a market town about 90 km from Ouagadougou, indicated a price difference between the two markets for the same time period of 16 percent.

While the price information is incomplete and of poor quality it nevertheless fails to support the contention that grain prices are usually unstable in Upper Volta. Regardless of quality, raw price data alone are not sufficient to determine the issue on government intervention. It is necessary to know the volume of grain sold at each price (a few hundred kilograms sold at some extremely high price in a market where thousands of tons are sold does not constitute meaningful price instability or warrant establishment of a permanent institution) and it is necessary to know what grain marketing costs are in some detail. If costs are high then the spread between producer and consumer prices will also be large. Substitution of a government dealer for a private dealer will not change the fact.

Finally, it is necessary to know about the economic situation behind any given price change. For example, farmers in a region may have learned that they are better off if they produce a combination of food and cash crops. For the two to three month period following the harvest, locally grown cereal may supply local demand. Eventually local grain sources are drawn down and it becomes necessary to import cereal from other regions. Regional cereal prices rise rapidly and by an appreciable amount reflecting the addition of transportation and handling costs which were negligible for the locally grown grain. A rapid and large price change has occurred but it serves no economic purpose to counter it and it does not reflect excess profit-taking by dealers.

In conclusion, there is no organized body of knowledge about prices weighted by volume or about private sector trading costs. There is no empirical knowledge about why prices change. Therefore the price instability assumption remains undefined and it lacks meaningful substantiation.

A second premise is that the marketing process itself is the cause for low farm prices and for high consumer prices. OFNACER objectives are to establish an effective minimum producer price (floor price) and an effective maximum consumer price (ceiling price). This implies that OFNACER believes the price of grain itself is unstable downward (producer prices in excess of the floor price are consistent with the OFNACER plan) and that the price of grain delivered to consumers is unstable upward (consumer prices below the ceiling price are consistent with the OFNACER plan). Therefore, it is assumed, grain marketing operations are the ultimate cause of

price fluctuations and the excessive spread between producer and consumer prices; price changes are not attributable to the amount of cereal marketed each year.

If shifts in supply were the main cause of price fluctuations OFNACER intra-annual price stabilization operations would not be effective because they do not affect the total amount of grain available in any one year. OFNACER is just another dealer as far as the total supply is concerned. 1/

Instead, it is implicitly assumed that the spread between farm price and consumer price must be caused either by grain dealers exercising monopsonistic and monopolistic market powers, or because grain dealers are inefficient as a group and therefore high cost, or some combination of the two. It is also assumed that a government trading operation will be able to provide the marketing services at a lower cost than the private market.

If OFNACER cannot function at a cost below that of the private sector it will either not be able to meet its purchase/sales goals or it will require subsidization to offset its losses. In the subsidization case either OFNACER would be forced to abandon its fixed prices or the central government would have to support the grain agency's budget. That is, if the assumption that traders (not changes in the amount farmers produce and sell) are the reason for price extremes is incorrect, then OFNACER will not be able to pursue its stabilization plan. However, if instability is caused by private trader activity, and if the margin between official buying and selling prices is equal to OFNACER's actual cost per unit marketed, then OFNACER will be able to force traders' margins down to a level no greater than its own and operate without a subsidy. It all depends upon the structure of the grain trade, a structure which will be investigated in a systematic fashion for the first time in this project.

1/ If price changes are caused mainly by shifts in aggregate supply it is largely futile for OFNACER to intervene. For example in a year when production is short relative to demand the price of grain will tend to exceed the floor price, OFNACER will not find anyone willing to sell grain at the fixed floor price and OFNACER will therefore have no grain to sell later to enforce the ceiling price. In a surplus year OFNACER can buy its quota at the floor price but it will not be able to sell the quota because it will be undersold by private competitors. It is conceivable in a theoretical sense that OFNACER will be able to set prices in advance which allow it to buy a fixed amount and to sell the same amount, but the probability is small.

A third major premise or, more accurately, set of inter-dependent premises, is that year after year several months in advance of the harvest OFNACER can set official prices such that it can:

- (a) purchase a given amount of grain and establish a floor price for farmers,
- (b) sell all of the grain it buys and stabilize consumer prices around the official price,
- (c) earn enough revenue from its operations to cover its marketing expenses.

It is further assumed that a producer price can be determined in advance such that the budget available to OFNACER will be adequate to permit purchase of the target amount of grain while at the same time OFNACER will be able to buy grain from virtually every farmer who is willing to sell at the official price.

On the consumer side it is assumed the consumer price will be set so that the stock of grain purchased during the harvest period will be sold by the end of the annual harvest cycle.

Given the number of key variables which are to be fixed in advance of the actual harvest/marketing year and the high variability of Voltaic cereal production/marketing conditions it is very difficult to achieve the price and quantity objectives set by OFNACER and at the same time stay within a given budget constraint. The outcome predicted by the OFNACER plan is only one possibility among a large number of possibilities.

Assume that the official producer price is 30 FCFA/kilogram and the official consumer price is 47 FCFA/kilogram. OFNACER cannot alter the producer price after it is announced the preceding July nor change the consumer price once it is set in February or March.

Now consider a year in which OFNACER meets its basic objectives. The agency buys grain at 30 FCFA per kilogram for three months during which time the effective farm price is 30 FCFA per kg. Without OFNACER the price would have ranged below 30 FCFA, however, with government purchase of 40 percent of sales the weighted average wholesale price is 28.5 FCFA

per kilogram. After three months the wholesale price rises above 30 FCFA and farmers direct their sales to private traders since OFNACER cannot pay more than 30 FCFA per kilogram. During the three-months period OFNACER was able to acquire its 60,000 ton quota just at the time when the wholesale market price started to exceed the official purchase price.

For the first six months the market retail price remains below the official price and all retail sales are made by private traders. At the mid point in the season the retail market price starts to exceed the official consumer price and consumers switch their purchases from private dealers to OFNACER outlets. Without OFNACER sales the retail price series would continue to climb reaching a peak somewhere in the 10th month of the cycle then start to fall. But with OFNACER sales, the weighted average retail price rise is held to 51.8 FCFA/kilogram until the retail price drops below 47 FCFA near the harvest period. During the latter part of the cycle when the market retail price is higher than the official price, OFNACER's 60,000 MT. stock is exactly the amount needed to provide consumers the amount of cereal they require. Just as OFNACER's stock is exhausted the market retail price drops below the official price and private sales replace government sales. In this scenario OFNACER has achieved its main objective of dampening intra-year price extremes and it has satisfied one constraint: it has purchased and sold 60,000 MT. of grain in one year. We do not know if the grain agency covered its costs, however, its gross revenue was (17 FCFA x 60,000,000 kg) 1,020 million FCFA.

Consider a second year when there is a poor harvest. The wholesale price never falls below 35 FCFA and the official price, which is retained because it worked well the preceding year, was set well before the actual harvest. It turns out to be too low to allow OFNACER acquisition of any grain. Retail prices quickly rise above the 47 FCFA limit but there is only a limited amount of grain to sell from the security stock and hence, there is less downward pressure on prices than desired.

Also consider the opposite case in which there is a good crop and the amount marketed increases disproportionately. The market wholesale price drops below the official price for three months during which time OFNACER buys 60,000 tons during the first months until its funds are finally exhausted and the composite price drops below the floor price. Because of the abundant supply OFNACER must wait to start selling its stock until much later in the year and can only dispose of one-half of the stock before the retail price again falls below the official rate.

These simple scenarios suggest the difficulties of operating with fixed prices which are set before the size of the harvest is known. Now that OFNACER is trying to encourage production through incentive prices, stabilize cereal price movements, and maintain its financial autonomy, it must develop a capability for analyzing its operations so that it is prepared in advance for bumper-crop years or drought years. Above all, it must be able to present arguments to the government for greater flexibility in price setting and other modifications in present policy so that the office can implement the national policy goals without need for subsidization. If OFNACER does not develop this capability, it may find itself faced with one of the extreme scenarios presented above while saddled with a rigid policy which in itself prevents the office from achieving the objectives of the policy.

Summary and Conclusions

The main point of this annex is that price stabilization under a fixed price regime is very difficult to achieve and potentially very costly. The shortcomings of the current GOUV policies are clearly stated here, but these shortcomings and the need to formulate new policies are not well understood by the GOUV or OFNACER. There is a need to improve the analysis of current policy and to develop the capability to formulate new policies.

This project assists OFNACER in responding to extreme price fluctuations and food shortages in rural areas by improving its facilities and providing it with some operating capital. Perhaps more important, however, it will give the GOUV and OFNACER some substantive evidence and insight into the grain marketing system and will allow the GOUV to evaluate alternative ways of improving grain market performance and encouraging a larger share of grain production for the market.

ANNEX V

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PROJECT AGREEMENT

between

THE GOVERNMENT OF THE REPUBLIC OF UPPER VOLTA

and

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

for

GRAIN MARKETING DEVELOPMENT

Projet USAID No.686-0243

ACCORD DE SUBVENTION

entre

LE GOUVERNEMENT DE LA REPUBLIQUE DE HAUTE-VOLTA

et

LE GOUVERNEMENT DES ETATS-UNIS D'AMERIQUE

pour

LE DEVELOPPEMENT DE LA COMMERCIALISATION

DES CEREALES

FISCAL DATA :

Allotment : 812-50-686-00-69-01
Appropriation : 72-11X1012
Amount : \$ 900,000.00

Table of Contents
 Project Grant Agreement
 (Table des Matières
 Accord de Subvention)

	Page
Article 1 : The Agreement (L'Accord)	1
Article 2 : The Project (Le Projet)	1
Section 2.1 : Definition of Project (Définition du Projet)	1
Section 2.2 : Incremental Execution of the Project (Exécution du Projet par tranches)	3
Article 3 : Financing (Financement)	3
Section 3.1 : The Grant (La Subvention)	3
Section 3.2 : Grantee Resources for the Project (Contribution du Bénéficiaire à l'exécution du Projet)	4
Section 3.3 : Project Assistance Completion Date (Date d'Achèvement d'Assistance au Projet)	4
Article 4 : Conditions Precedent to Disbursement (Conditions préalables au déboursement)	5
Section 4.1 : First Disbursement (Premier déboursement)	5
Section 4.2 : First Disbursement for Construction (Premier Déboursement pour la Construction)	5
Section 4.3 : First Disbursement for Equipment and Commodities (Premier Déboursement pour l'Équipement et le matériel)	6
Section 4.4 : Notification (Notification)	6
Section 4.5 : Terminal dates for conditions precedent (Dates limites pour les conditions préalables)	6
Article 5 : Special covenants (Conventions spéciales)	7
Section 5.1 : Grantee responsibility (Responsabilité du Bénéficiaire)	7
Article 6 : Procurement Source (Source d'Approvisionnement)	8
Section 6.1 : Foreign exchange costs (Frais en devises étrangères)	8
Section 6.2 : Local Currency Costs (Frais en monnaie locale)	8

	Page
Article 7 : Disbursement (Déboursements)	9
Section 7.1 : Disbursement for foreign exchange costs (Déboursement des frais en devises étrangères)	9
Section 7.2 : Disbursement for local currency costs (Déboursement pour les frais en monnaie locale)	10
Section 7.3 : Other forms of disbursement (Autres formes de déboursements)	11
Section 7.4 : Rate of exchange (Taux de change)	12
Article 8 : Miscellaneous (Divers)	13
Section 8.1 : Travel authorizations (Autorisation de déplacement et visas)	13
Section 8.2 : Communications (Communications)	13
Section 8.3 : Representatives (Représentants)	13
Section 8.4 : Standard Provision (Annexe relative aux dispositions standards)	14
Section 8.5 : Language of Agreement (Libellé de l'Accord)	14
Annexe 1 : Amplified Description of the Project (Description Détaillée du Projet)	
Annexe 2 : Project Grant Standard Provisions Annex (Annexe des Dispositions Standards de la Subvention de Projet)	

GRANT AGREEMENT

Dated

Between

THE GOVERNMENT OF THE REPUBLIC
OF UPPER VOLTA

("Grantee")

And

THE UNITED STATES OF AMERICA
acting through the AGENCY FOR
INTERNATIONAL DEVELOPMENT ("USAID")

Article 1 : Definition

The purpose of this Agreement is to set out the understanding of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2 : The Project

SECTION 2.1 : Definition of Project

The Project, which is further described in Annex 1, attached, will consist of :
- improving the implementing capability of the Grantee Ministry of Rural Development, National Cereals Office, for marketing and storage of food grain. This will be accomplished through the expansion of grain storage capacity, the provision of technical assistance for improvement of operating procedures, planning and basic data collection, and the increase of rolling funds for purchase of local grain.

Specific project elements will include the following :

- Long and short-term U.S. technical assistance to establish a planning unit in the National Cereals Office to select rural warehouse sites appropriate to the expansion of the storage system, to develop a basic data collection and information system for grain marketing operations, and to carry out analyses of such activities as the Director General of OFNACER may request;

ACCORD DE SUBVENTION

En date du

Entre

LE GOUVERNEMENT DE LA REPUBLIQUE
DE HAUTE-VOLTA

("Bénéficiaire")

Et

LES ETATS-UNIS D'AMERIQUE
par l'intermédiaire de l'AGENCE POUR
LE DEVELOPPEMENT INTERNATIONAL ("USAID")

Article 1 : Définitions

Le présent Accord a pour objet de fixer les conditions que doivent remplir les parties susmentionnées ("Parties") quant à l'exécution par le Bénéficiaire du Projet décrit ci-dessous et quant au financement du Projet par les Parties.

Article 2 : Le Projet

SECTION 2.1 : Définition du Projet

Le Projet, décrit plus en détail dans l'Annexe 1, ci-jointe, aura pour but :
- d'augmenter la capacité d'exécution du Ministère du Développement Rural et de l'Office National des Céréales, Bénéficiaire, dans la commercialisation et l'emmagasinage des céréales alimentaires. Les moyens en seront : le développement de la capacité d'entreposage des céréales, l'apport d'une assistance technique pour améliorer les procédures, la planification, la collecte de données de base et la consolidation d'un fonds de roulement pour l'achat de céréales locales. Les éléments spécifiques du projet seront les suivants :

- Une assistance technique américaine à court et à long terme pour instituer une unité de planification qui permettra à l'Office National des Céréales de déterminer les emplacements où construire des entrepôts ruraux de manière à étendre le système d'entreposage, de développer un système d'information et de collecte d'éléments de base pour les opérations de commercialisation des céréales, et d'effectuer les analyses d'autres activités demandées par le Directeur Général de l'OFNACER;

.../...

- Long-term technical assistance to carry out a comprehensive study of national grain markets, both modern and traditional, to provide the GOUV with information about the structure and performance of the national grain market;

- Long-term technical assistance to evaluate the reporting procedures and methods of communicating information relevant to OFNACER management and to suggest modifications or improvements in the information system;

- Short-term technical assistance to identify appropriate pesticides for use in grain storage structures and to train OFNACER stock protection personnel in their use;

- Technical equipment, vehicles and operating costs to carry out the duties of the long and short-term technicians.

- Construction of approximately 30 rural grain storage warehouses.

- Technical equipment to fully equip the rural grain storage warehouses.

- training for OFNACER personnel grain storage and marketing;

- Local training of warehouse personnel.

- Establishment of a rolling fund for the purchase of up to 10,000 metric tons of locally grown grain annually.

Annex 1, attached, amplifies the definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in section 8.3, without formal amendment of this Agreement.

- Une assistance technique à long terme pour réaliser une étude étendue des marchés nationaux de céréales, modernes et traditionnels, pour fournir au Gouvernement Voltaïque les informations nécessaires concernant la structure et le fonctionnement du marché céréalier national;

- Une assistance technique à long terme pour évaluer les procédures d'enregistrement et les méthodes de communication des informations relatives à la gestion de l'OFNACER et pour proposer des modifications ou des améliorations dans le système d'information;

- Une assistance technique à court terme pour déterminer les pesticides qu'il faudra utiliser dans les entrepôts de céréales et pour apprendre au personnel de l'OFNACER chargé de la surveillance de ces magasins, à en faire bon usage;

- Un équipement technique, des véhicules et des fonds pour couvrir les frais de fonctionnement qui permettront aux techniciens à court et à long terme d'effectuer leur travail;

- La construction d'une trentaine de magasins ruraux d'entreposage des céréales;

- Du matériel pour équiper entièrement ces magasins ruraux d'entreposage des céréales;

- une formation du personnel de l'OFNACER en matière de commercialisation et d'entreposage des céréales;

- Une formation locale du personnel des magasins;

- La mise en place d'un fonds de roulement permettant l'achat jusqu'à 10.000 tonnes de céréales locales par an.

L'Annexe 1, ci-jointe, amplifie la définition ci-dessus du projet. Dans les limites des définitions du dit projet, les éléments de la description élargie compris dans l'Annexe 1 peuvent être modifiés, avec l'accord écrit des autorités représentant les Parties citées à la section 8.3, sans que cela n'entraîne un amendement de fond de l'Accord.

.../...

SECTION 2.2: Incremental Execution of the Project

a) USAID's contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1. of this Agreement. Subsequent increments will be subject to availability of funds to USAID for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

b) Within the overall Project Assistance Completion Date stated in this Agreement, USAID, based upon consultation with the Grantee, may specify in project implementation letters appropriate time periods for the utilization of funds granted by USAID under individual increments of assistance.

Article 3 : Financing

SECTION 3.1 : The Grant

To assist the Grantee to meet the costs of carrying out the Project, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed nine hundred thousand United States Dollars (U.S. \$ 900,000) ("Grant").

The grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project, except that, unless the Parties otherwise agree in writing, local currency costs financed under the Grant will not exceed the equivalent of two hundred fifteen thousand U.S. dollars (U.S.\$ 215,000). Estimated budget tables are attached to this document (see Annex 1 Article F).

SECTION 2.2: Exécution du Projet par Tranches

a) La contribution de l'USAID au Projet se fera par tranches successives, la première étant débloquée conformément à la Section 3.1. du présent Accord. Les tranches suivantes seront autorisées, selon les disponibilités financières de l'USAID et sous réserve de l'accord des Parties, au moment de la procédure d'une tranche postérieure.

b) Dans les limites de la Date d'Achèvement d'Assistance au Projet fixée dans cet Accord, l'USAID, après consultation avec le Bénéficiaire, peut préciser dans les lettres d'exécution du Projet les périodes appropriées pour l'utilisation des fonds accordés par l'USAID sous l'assistance de tranches individuelles.

Article 3 : Financement

SECTION 3.1 : La Subvention

Pour aider le Bénéficiaire à faire face aux dépenses entraînées par l'exécution du projet, l'USAID, conformément à la Loi de 1961 de l'Assistance à l'Etranger, comme amendée, accepte de lui accorder, aux termes de cet Accord une somme n'excédant pas neuf cent mille dollars des Etats-Unis (E.U.\$900 000) ("Subvention").

La subvention pourra être utilisée pour financer les dépenses en devises étrangères telles que définies à la Section 6.1, et les dépenses en monnaie locale, telles que définies à la Section 6.2, pour les biens et services nécessaires au Projet, la condition étant, à moins que les Parties en conviennent autrement par écrit, que les dépenses en monnaie locale financées par la Subvention ne dépassent pas l'équivalent de deux cent quinze mille dollars des Etats-Unis (E.U. \$ 215 000). Les tableaux d'estimation de budget sont joints à ce document (se rapporter à l'Annexe 1, Article F).

.../...

SECTION 3.2 : Grantee Resources for the Project

a) The Grantee agrees to provide, or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner. All cost increases which result notably from requests for bids, cost variations, or supplementary work decided on during project implementation will be assumed by the Grantee or Grantee Institution which will accept the responsibility of covering these costs out of national funds in such a way that they are integrated into the project as approved by the signing parties.

b) The resources provided by the Grantee for the Project will be not less than the equivalent of thirty thousand U.S.dollars (U.S.\$ 30,000), including costs borne on an "in kind" basis. (See Annex 1, Article E).

SECTION 3.3 : Project Assistance Completion Date

a) The "Project Assistance Completion Date" (PACD), which is four (4) years from the date of signature of this Agreement, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

SECTION 3.2 : Contribution du Bénéficiaire à l'Exécution du Projet

a) Le Bénéficiaire accepte de fournir ou de faire fournir pour l'exécution du Projet, en plus de la Subvention, tous les fonds et toutes les autres contributions requises pour mener à bien et en temps voulu le Projet. Tout dépassement de frais, provenant notamment des appels d'offres, des variations de prix, ou de travaux supplémentaires décidés au cours de l'exécution du Projet, sera pris en charge par le Bénéficiaire ou l'Institution Bénéficiaire qui prendra sous sa responsabilité la couverture de ces dépenses sur les fonds nationaux de telle manière qu'elles seront intégrées au projet comme prévu par les signataires.

b) Les ressources fournies par le Bénéficiaire pour le Projet ne seront pas inférieures à trente mille dollars des Etats-Unis (E.U. 30.000), y compris les coûts supportés sur une base "en nature" (se rapporter à l'Annexe 1, Article F).

SECTION 3.3 : Date d'Achèvement d'Assistance au Projet

a) La "Date d'Achèvement d'Assistance au Projet" (DAAP), à savoir quatre (4) ans à compter de la date de signature de cet Accord, ou toute autre date dont les Parties peuvent convenir par écrit, est la date à laquelle les Parties estiment que tous les services financés au titre de la Subvention auront été fournis pour l'exécution du Projet comme l'envisage le présent Accord.

b) A moins que l'USAID en convienne autrement par écrit, elle ne donnera suite ni n'approuvera tout document qui autoriserait le déboursement de la Subvention pour la prestation de services exécutés après la DAAP ou pour des biens fournis pour le Projet comme l'envisage le présent Accord, après cette date.

.../...

c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by USAID or any bank described in Section 7.1. not later than nine (9) months following the PACD, or such other period as USAID agrees to in writing. After such period, USAID, giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4 : Conditions Precedent to Disbursement

SECTION 4.1 : First Disbursement

Prior to the first disbursement under the Grant or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID :

- the name and specimen signature of an official of the Ministry of Rural Development, National Cereals Office who will be assigned to act as the GOV Project Manager and who will be the counterpart and primary contact for the USAID Project Manager.

SECTION 4.2 : First Disbursement for Construction

Prior to the disbursement of funds for any construction activity financed under the Grant (except disbursement of funds required to prepare plans and specifications) or to the issuance of any disbursement documents with respect thereto, the Grantee shall furnish to USAID in form and substance satisfactory to USAID, the following :

c) Les demandes de déboursements, accompagnées des pièces justificatives nécessaires qu'indiquent les Lettres d'Exécution du Projet doivent parvenir à l'USAID ou à la Banque mentionnée à la Section 7.1. au plus tard neuf (9) mois après la DAAP ou toute autre période dont l'USAID conviendrait par écrit. Après cette période, l'USAID, après avoir envoyé un avis écrit au Bénéficiaire, peut à n'importe quel moment réduire le montant de la Subvention de tout ou partie de ce montant pour lequel les demandes de déboursements accompagnées des pièces justificatives nécessaires qu'indiquent les Lettres d'Exécution du Projet, n'ont pas été reçues avant l'arrivée à expiration de la dite période.

Article 4 : Conditions Préalables au Déboursement

SECTION 4.1 : Premier Déboursement

Avant le premier déboursement effectué au titre de la Subvention ou avant la publication par l'USAID des documents en vertu desquels le déboursement sera fait, le Bénéficiaire, à moins que les Parties en décident autrement par écrit, fournira à l'USAID dans les conditions de forme et de fond lui convenant :

- le nom et un spécimen de signature d'un fonctionnaire du Ministère du Développement Rural, Office National des Céréales, qui agira en tant que Responsable du Projet pour le Gouvernement Voltaïque et qui sera l'homologue et le premier contact du Responsable du Projet de l'USAID.

SECTION 4.2 : Premier Déboursement pour la Construction

Avant le déboursement de fonds effectué au titre de la Subvention pour des activités de construction quelles qu'elles soient, (sauf le déboursement de fonds requis par la préparation des plans et du cahier des charges) ou avant la publication de documents de déboursement ayant trait à cela, le Bénéficiaire devra fournir à l'USAID, dans les conditions de forme et de fond convenant à l'USAID, ce qui suit :

.../...

- a) detailed plans, specifications, bid documents and time schedules for such construction activities;
- b) an executed contract for construction services for such activities with a firm acceptable to USAID;
- c) a description of the arrangements for a public agency of the Grantee or other arrangements satisfactory to USAID, to provide construction supervision services for such activities; and
- d) evidence that the Grantee has acquired any permits, licences, privileges, easements or rights of way necessary to provide utility services to the construction sites.

SECTION 4.3 : First Disbursement for equipment and commodities

Prior to the disbursement of funds for procurement of equipment and commodities from the United States, the Grantee will provide to USAID, in form and substance satisfactory to USAID, the following :

- a) an executed contract for the services of a procurement agent or other arrangements satisfactory to USAID for securing such services; and
- b) detailed specifications for equipment and commodities to be procured under the Project.

SECTION 4.4 : Notification

When USAID has determined that the conditions precedent specified in Section 4.1., 4.2. and 4.3. have been met, it will promptly notify the Grantee.

SECTION 4.5 : Terminal dates for conditions precedent

If all of the conditions specified in Section 4.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as USAID may agree in writing, USAID, at its option, may terminate the Agreement by written notice to the Grantee.

- a) les plans détaillés, le cahier des charges, les documents d'appel d'offres, les plans des termes nécessaires à l'exécution de telles constructions;
- b) un contrat établi pour la construction de telles activités avec une entreprise agréée par l'USAID;
- c) une description des dispositions prises par le Bénéficiaire pour une agence d'Etat, ou des autres arrangements agréés par l'USAID, faits pour des services de surveillance pour de telles activités; et
- d) la preuve que le Bénéficiaire est titulaire de permis, licences, privilèges, droit de servitude ou droits de passage, nécessaires pour que les sites de constructions puissent bénéficier des services publics.

SECTION 4.3 : Premier Déboursement pour l'équipement et le matériel

Avant le déboursement de fonds pour l'achat d'équipement et de matériel américains, le Bénéficiaire fournira ce qui suit à l'USAID, dans les conditions de fond et de forme convenant à l'USAID :

- a) un contrat établi pour les services d'un agent responsable des achats, ou autres arrangements agréés par l'USAID et garantissant de tels services; et
- b) une description détaillée de tout le matériel et de l'équipement fournis dans le Projet.

SECTION 4.4 : Notification

Lorsque l'USAID aura établi que les conditions préalables mentionnées aux Sections 4.1, 4.2 et 4.3. ont été remplies, elle le notifiera promptement au Bénéficiaire.

SECTION 4.5 : Dates limites pour les conditions préalables

Si toutes les conditions mentionnées à la Section 4.1 n'ont pas été remplies dans les quatre-vingt-dix (90) jours à compter de la date de cet Accord, ou à une date ultérieure dont l'USAID peut convenir par écrit, l'USAID a la faculté de résilier le présent Accord en notifiant le Bénéficiaire par écrit.

b) If all of the conditions specified in Section 4.3. have not been met within ninety (90) days from the date of this Agreement or such later date as USAID may agree to in writing, USAID, at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5 : Special covenants

SECTION 5.1 : Grantee responsibility

a) The Ministry of Rural Development, National Cereals Office, shall have overall responsibility for the Project on behalf of the Grantee.

b) The Grantee will provide office space, equipment, and secretarial assistance for the economist or agricultural economist and local employees of the Planning Unit and the management information systems specialist.

c) The Grantee will provide the sites for construction of grain storage warehouses in selected sub-prefectures. The Grantee will also provide project management and technical personnel as necessary for the warehouse construction.

d) Two years prior to the end of the Project, the Grantee and the U.S. technical assistance team will develop a strategy to cover recurrent costs.

e) The Grantee will furnish to USAID, in form and substance satisfactory to USAID, monthly reports with respect to the status of the rolling fund, the distribution and sales of PL 480 grain and the utilization of PL 480 sales receipts as provided for in the Transfer Authorizations.

b) Si toutes les conditions mentionnées à la Section 4.3. n'ont pas été remplies dans les quatre-vingt-dix (90) jours à compter de la date de cet Accord, ou toute autre date dont l'USAID peut convenir par écrit, l'USAID a la faculté d'annuler le solde alors non déboursé de la Subvention dans la mesure où il n'y a aucun engagement envers des parties tiers et peut mettre fin au présent Accord par un avis écrit au Bénéficiaire.

Article 5 : Conventions spéciales

SECTION 5.1 : Responsabilité du Bénéficiaire

a) Le Ministère du Développement Rural, l'Office National des Céréales, aura l'entière responsabilité du Projet au nom du Bénéficiaire.

b) Le Bénéficiaire mettra des bureaux, de l'équipement et une assistance de secrétariat à la disposition de l'économiste ou de l'économiste agricole, des employés locaux de l'Unité de Planification et du spécialiste des systèmes d'information dans la gestion.

c) Le Bénéficiaire fournira les emplacements pour la construction des magasins d'entreposage des céréales dans les sous-préfectures choisies. Il devra également établir le projet et trouver le personnel technique nécessaire à la construction de ces magasins.

d) Deux ans avant la fin du Projet, le Bénéficiaire et l'équipe d'assistance technique américaine développeront une stratégie pour couvrir les charges récurrentes.

e) Le Bénéficiaire remettra mensuellement à l'USAID des rapports en bonne et due forme, en ce qui concerne la situation du fonds de roulement, la répartition et les ventes des céréales PL 480 et l'utilisation des recettes de leur vente comme cela a été conclu dans les Autorisations de Transfert.

f) The trainees sent to the United States for training in grain storage and marketing will return to work at OFNACER upon completion of their training.

g) The Grantee will use only pesticides approved for use by USAID in the rural warehouses constructed through the Project.

h) The Grantee will establish a record-keeping system for the rural warehouses constructed through the Project and will furnish to USAID, in form and substance satisfactory to USAID, quarterly reports which permit verification of the kinds of pesticides used, amounts applied, and dates of application for each warehouse.

Article 6 : Procurement Source

SECTION 6.1 : Foreign exchange costs

Disbursements pursuant to Section 7.1., will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in AID Geographic Code 941 (as per the AID Geographic Code Book as in effect at the time orders are placed or contract entered into) except as USAID may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex Section C.1 (b) with respect to marine insurance.

SECTION 6.2 : Local Currency Costs

Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as USAID may otherwise agree in writing, their origin in Upper Volta. To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for this Project.

f) Les stagiaires envoyés aux Etats-Unis pour recevoir une formation en matière d'entreposage des céréales et de commercialisation, reprendront leur travail à l'OFNACER au terme de leur formation.

g) Le Bénéficiaire n'utilisera dans les magasins d'entreposage ruraux construits dans le cadre du Projet, que les pesticides qui auront été homologués par l'USAID.

h) Le Bénéficiaire mettra au point un système d'enregistrement des informations pour les magasins d'entreposage construits dans le cadre du Projet et soumettra à l'USAID des rapports trimestriels en bonne et due forme qui permettront de vérifier les variétés de pesticides utilisées, les quantités employées et les dates d'utilisation pour chaque magasin d'entreposage.

Article 6 : Source d'Approvisionnement

SECTION 6.1 : Frais en devises étrangères

Conformément à la Section 8.1., les déboursments seront uniquement utilisés pour financer les coûts des biens et services requis pour l'exécution du Projet et ayant leur source et origine dans les pays inclus dans le Code 941 (comme stipulé dans le Code Géographique de l'USAID tel qu'il est en vigueur à l'époque où les commandes sont passées et les marchés conclus pour ces biens et services) à moins que l'USAID en convienne autrement par écrit et excepté si la Section C.1. (b) de l'Annexe sur les dispositions types de la Subvention le stipule autrement quant à l'assurance maritime.

SECTION 6.2 : Frais en Monnaie Locale

Conformément à la Section 7.2. les déboursments seront uniquement utilisés pour financer les coûts des biens et services pour l'exécution du Projet et ayant leur source, à moins que l'USAID en convienne autrement par écrit, et leur origine en Haute-Volta, dans la mesure où le présent Accord le stipule, les "Frais en Monnaie Locale" peuvent également inclure la réserve des ressources en monnaie locale requise pour l'exécution du Projet.

Article 7 : Disbursement

SECTION 7.1 : Disbursement for foreign exchange costs

a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon :

1) by submitting to USAID, with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for USAID to procure commodities or services on Grantee's behalf for the Project; or

2) by requesting USAID to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to USAID, committing USAID to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Article 7 : Déboursements

SECTION 7.1 : Déboursement des frais en devises étrangères

a) Après avoir rempli avec satisfaction les conditions susmentionnées, le Bénéficiaire peut obtenir le déboursement des fonds au titre de la Subvention pour le financement des Frais en Devises Etrangères des biens et services nécessaires à l'exécution du Projet et ce, conformément aux termes du présent Accord, par l'une des méthodes ci-après convenues d'un commun accord :

1) en présentant à l'USAID accompagnées des pièces justificatives nécessaires comme le stipulent les Lettres d'Exécution du Projet, (A) les demandes de remboursement de ces biens et services ou (B) les demandes à l'USAID, au nom du Bénéficiaire, d'achat de biens et services pour l'exécution du Projet; ou
2) en demandant à l'USAID d'émettre des Lettres d'Engagement pour des montants spécifiés (A) à une ou plusieurs banques des Etats-Unis, agréées par l'USAID, l'engageant à rembourser cette ou ces banques par les paiements effectués par elles à des entrepreneurs ou fournisseurs, dans le cadre d'une Lettre de Crédit par exemple, pour l'achat de ces biens et services ou (B) directement à un ou plusieurs entrepreneurs ou fournisseurs engageant l'USAID à payer ces derniers pour l'achat de ces biens et services.

b) Les frais bancaires encourus par le Bénéficiaire pour les Lettres d'Engagement et de Crédit seront financés au titre de la Subvention, à moins que le Bénéficiaire n'instruise l'USAID du contraire. Les autres frais dont les Parties peuvent convenir peuvent également être financés dans le cadre de la Subvention.

.../...

SECTION 7.2. : Disbursement for local currency costs

a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

b) The local currency needed for such disbursements may be obtained :

- 1) by acquisition by USAID with U.S. dollars by purchase; or
- 2) by USAID requesting the Grantee to make available the local currency for such costs, and thereafter reimbursing an amount of U.S. dollars equal to the amount of local currency made available by the Grantee.

SECTION 7.3. : Other forms of disbursement

Disbursement of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4 : Rate of exchange

Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Upper Volta by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Upper Volta at the highest rate of exchange which, at the time the conversation is made, is not unlawful in Upper Volta.

SECTION 7.2 : Déboursement pour les frais en monnaie locale

a) Après avoir rempli avec satisfaction les conditions susmentionnées, le Bénéficiaire peut obtenir le déblocage des fonds au titre de la Subvention pour le financement des frais en monnaie locale, nécessaires à l'exécution du Projet, conformément aux termes du présent Accord, en soumettant à l'USAID les demandes de financement de ces frais, accompagnées des pièces justificatives requises comme le stipulent les Lettres d'Exécution du Projet.

b) La monnaie locale requise pour ces déboursements peut être obtenue :

- 1) par acquisition par l'USAID avec des dollars E.U. à l'achat; ou
- 2) par l'USAID en demandant au Bénéficiaire de mettre à sa disposition la monnaie locale pour de tels frais et, par la suite, en remboursant un montant en \$, E.U. équivalent à la monnaie locale mise à sa disposition par le Bénéficiaire.

SECTION 7.3 : Autres formes de déboursements

Les déboursements de la Subvention peuvent également s'effectuer par d'autres moyens dont les Parties peuvent convenir par écrit.

SECTION 7.4 : Taux de change

Sauf indication spécifique prévue à la Section 7.2., si les fonds fournis dans le cadre de la Subvention sont introduits en Haute-Volta par l'USAID ou par un organisme privé ou public pour satisfaire aux obligations de l'USAID, le Bénéficiaire prendra les mesures nécessaires pour s'assurer que ces fonds peuvent être convertis dans la monnaie de la Haute-Volta au taux de change le plus élevé, qui à l'époque de la conversion n'est pas illégal en Haute-Volta.

Article 8 : Miscellaneous
SECTION 8.1 : Travel authorizations

The Grantee shall facilitate travel by project staff in Upper Volta, and to this end, the Grantee shall obtain or assist in obtaining required authorization.

SECTION 8.2 : Communications
Any notice, request, document, or other communication submitted by any Party to the other(s) under this Agreement will be in writing and will be deemed duly given or sent when delivered to such Party or Parties at the following addresses :

For the Grantee :

Ministry of Rural Development
National Cereals Office
p.o. box 53
Ouagadougou, Upper Volta

To USAID :

U.S. Agency for International
Development
p.o. box 35
Ouagadougou, Upper Volta

The Grantee will provide USAID Ouagadougou, with a copy of each communication sent to USAID/Washington.

SECTION 8.3 : Representatives
For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the offices of Minister of Rural Development, and USAID will be represented by the USAID Director, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Article 8 : Divers
SECTION 8.1 : Autorisation de déplacement et de visa

Le Bénéficiaire devra faciliter les voyages en Haute-Volta du personnel du Projet, et, dans ce but, le Bénéficiaire devra obtenir ou aider à obtenir les autorisations nécessaires.

SECTION 8.2 : Communications
Tout avis, demande, document ou autre communication soumis par une Partie à/aux Parties sous cet Accord sera écrit et considéré comme remis ou envoyé lorsqu'il parviendra à la Partie ou aux Parties intéressée(s) aux adresses suivantes :

Pour le Bénéficiaire

Ministère du Développement Rural
Office National des Céréales
P.O. 53
Ouagadougou, Haute-Volta

Pour l'USAID :

Agence des Etats-Unis pour le
Développement International
B.P. 35
Ouagadougou, Haute-Volta

Le Bénéficiaire fournira à la Mission USAID Ouagadougou, une copie de chaque communication envoyée à l'USAID/Washington.

SECTION 8.3 : Représentants
Aux fins du présent Accord, le Bénéficiaire sera représenté par une personne occupant le poste de Ministre du Développement Rural, et l'USAID sera représentée par le Directeur de la mission USAID, chacun d'eux pouvant, par avis écrit, désigner d'autres représentants à toutes les fins autres que celles d'exercer le pouvoir au titre de la Section 2.1 de réviser les éléments de la description élargie à l'Annexe 1. Les noms des représentants du Bénéficiaire accompagnés des signatures spécimens seront communiqués à l'USAID qui peut accepter comme dûment agréé n'importe quel instrument signé par ces représentants en application du présent Accord jusqu'à réception de l'avis écrit de révocation de leur autorité.

SECTION 8.4 : Standard Provision

A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.5 : Language of Agreement

This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English Language version will control.

SECTION 8.4 : Annexe relative aux dispositions standards

Une "Annexe relative aux dispositions standards régissant la Subvention pour projet" (Annexe 2) figure ci-joint au présent Accord et en fait partie.

SECTION 8.5 : Libellé de l'Accord

Le présent Accord est préparé en Anglais et en Français. En cas d'ambiguïté ou de conflit entre les deux versions, la version anglaise fera foi.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA :

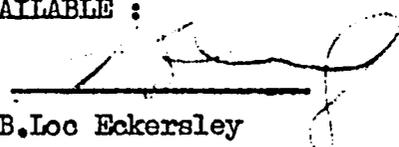
By : 
Thomas D. Boyatt
Title : Ambassador of the United States of America
Date : 22 7, 1980

EN FOI DE QUOI, le Bénéficiaire et les Etats-Unis d'Amérique, chacun agissant par l'intermédiaire de son représentant dûment agréé, ont fait signer le présent Accord en leur nom et l'ont fait remettre à la date de l'année susmentionnée.

POUR LE GOUVERNEMENT DE LA REPUBLIQUE DE HAUTE-VOLTA :

Par : 
Georges Sanogoh
Title : Ministre du Plan et de la Coopération
Date : 3 Juin 1980

FUNDS AVAILABLE :

By : 
B. Loc Eckersley

Title : Mission Controller

BEST AVAILABLE DOCUMENT

ANNEX 1

Amplified Description of the Project (Description détaillée du Projet)

Table of Contents

(Sommaire)

	Page
Article A: Background and Definitions (Données de base et Définitions)	
Article B: Inputs (Contributions)	5
SECTION B. 1.: Personnel, Responsibilities, and Qualifications of the American Technical Assistance Team (Personnel, Responsabilités et Qualifications de l'Equipe d'Assis- tance Technique Américaine)	5
SECTION B. 2.: Training (Formation)	9
SECTION B. 3.: Construction and Commodities (Construction et Matériel)	9
Article C: End of Project Status (Réalizations en fin de Projet)	10
Article D: Responsibilities of Collaborating Parties (Responsabilités des Parties en Présence)	11
Article E: Disbursement Procedures (Procédures de déboursement)	12
Article F: Financial Plan (Attachment 1,2,3) (Plan Financier, Attachement 1,2,3)	12

ANNEX I

AMPLIFIED DESCRIPTION OF THE PROJECT

Article A: Background and Definition

As in many developing economies there is concern in Upper Volta that the cereal marketing system is not efficient, that farmers as producers of food grains are not receiving adequate prices and that consumers sometimes must pay excessively high prices. The problem is compounded by large variations in the total amount, the regional distribution and the timing of rainfall which gives rise to substantial variations in aggregate and interregional grain production. The transportation and communications system is rudimentary and the agriculture system produces cereals primarily for self consumption, thus the size of marketable cereal surplus is relatively small and highly variable.

In this context the GOV is attempting to address these problems in its efforts to increase domestic cereal production, to decrease grain price increases over the annual crop cycle and to decrease price differences among regions. In addition, the GOV is attempting to increase the security of food supplies and the operating efficiency of the system which implements the food security program.

Essentially, the project is an effort to establish a set of conditions more favorable to efficient grain marketing. The project consists of several elements which, in combination, continue the process of improving the cereal distribution and marketing system as part of a general effort to develop a viable and more resilient agriculture sector.

ANNEX I

DESCRIPTION DÉTAILLÉE DU PROJET

Article A: Données de base et Définitions

Comme c'est le cas pour beaucoup d'économies en voie de développement, il apparaît que le système de commercialisation des céréales en Haute-Volta n'est pas efficace, que les fermiers, en tant que producteurs de céréales alimentaires, ne sont pas payés en retour comme ils le devraient et que les consommateurs accusent parfois des prix excessivement élevés. Le problème consiste en d'importantes variations en intensité de la répartition et de la fréquence pluviale qui sont à l'origine des écarts substantiels au niveau de la production céréalière inter-régionale et globale. Le système des transports et des communications est rudimentaire et le système d'agriculture produit des céréales d'abord pour une auto-consommation, ce qui laisse un excédent de céréales commercialisable relativement faible et extrêmement variable.

Étant donné la situation, le Gouvernement s'efforce d'intégrer ces problèmes dans son effort pour accroître la production céréalière domestique, pour réduire les augmentations de prix sur le cycle de récolte annuel et pour amoindrir les différences de prix entre les régions. En outre, le Gouvernement doit s'efforcer de renforcer la sécurité des approvisionnements et l'efficacité du système qui rend effectif le programme de sécurité alimentaire.

Ce projet représente essentiellement une volonté d'établir un ensemble de conditions plus favorables à une commercialisation efficace des céréales. Le projet est composé de plusieurs éléments qui, réunis, progressent dans le sens d'une amélioration du système de commercialisation et de distribution des céréales qui fait partie d'un effort général visant à développer un secteur agricole qui soit viable et qui ait plus de ressort.

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The immediate objectives of the project are: 1) to improve the ability and operating efficiency of ONACER to buy and sell grain in rural areas; 2) to upgrade ONACER's ability to allocate storage facilities in a manner which maximizes efficient use of its resources; 3) to make a systematic diagnosis of the Voltaic grain marketing system with the objective of determining how the private sector's extensive capital stock and entrepreneurial talents can best be utilized in a mixed system.

The final project design differs fundamentally from that of the recently completed Entente Project. The emphasis on achieving intra-annual price stabilization has been replaced by an investigative approach which will assist the cereals office in defining a sustainable role with minimal recurrent charges and a greater possibility of financial self-sufficiency. The project will study cereals marketing to determine how much annual market intervention is required in order to achieve the fundamental goals of GOEV food policy in a manner compatible with financial autonomy of the cereals office.

The project consists of the following interrelated components designed to achieve the objectives listed above:

1. construction of approximately 30 small-scale food grain storage facilities (150 to 250 metric tons each) to be located in carefully selected, rural sub-prefectures and rural arrondissements;
2. technical equipment and pesticides to make rural grain storage warehouses fully operational and technical equipment for central warehouses;

Les objectifs immédiats du projet sont: 1) améliorer le pouvoir d'action et l'efficacité d'exploitation pour permettre à l'ONACER d'acheter et vendre des céréales dans les zones rurales; 2) renforcer la capacité de l'ONACER pour répartir les possibilités d'emmagasinage de manière à rendre le plus efficace possible l'utilisation de ses ressources; 3) faire un diagnostic systématique du système voltaïque de commercialisation des céréales dans le but de déterminer, dans le cadre d'un système mixte, la meilleure utilisation possible des réserves considérables du secteur privé ainsi que des grandes aptitudes à entreprendre de celui-ci.

La conception finale du projet diffère fondamentalement de celui du Projet de l'Entente récemment terminé. L'accent mis sur la stabilisation des prix sur une année a fait place à une approche investigatrice qui aidera l'office des céréales à définir un rôle soutenable avec un minimum de charges et une plus grande possibilité d'auto-suffisance financière. Le projet étudiera la commercialisation des céréales afin de déterminer quelle sera la fréquence annuelle nécessaire des interventions sur le marché pour pouvoir atteindre les buts essentiels de la politique alimentaire du Gouvernement et ce, d'une manière compatible avec l'autonomie financière de l'office des céréales.

Le projet se compose d'éléments (nommés ci-après) qui sont étroitement liés entre eux et qui doivent permettre d'atteindre les objectifs décrits précédemment:

1. la construction d'une trentaine d'installations d'entreposage de céréales alimentaires de petite taille (150 à 250 tonnes chacune), situées dans des sous-préfectures rurales ou des arrondissements ruraux qui auront été soigneusement choisis;
2. un équipement technique et des pesticides de manière à rendre les magasins ruraux d'entreposage des céréales complètement opérationnels et un équipement technique pour les magasins d'entreposage centraux;

3. a revolving fund of U.S. \$ 2,166,200 to finance the purchase of up to 10,000 metric tons of local grain annually;
 4. three person-years of U.S. technical assistance (three years of economist or agricultural economist) to help establish a planning unit in OENACER and conduct analyses of OENACER grain marketing, storage, logistical, and other operations;
 5. six person-years of local technicians (three years each, two Voltaic college graduates) to work in the planning unit and receive on-the-job training from the U.S. economist or agricultural economist;
 6. one person-year of U.S. technical assistance (one year of management information systems specialist) to evaluate the reporting procedures and methods of communicating information relevant to OENACER management and to suggest modifications or improvements in the information system;
 7. approximately eleven person-months consultants to advise on various aspects of OENACER as follows:
 - (a) one person-month of a pesticides expert to identify appropriate pesticides for use in the rural grain storage warehouses;
 - (b) one person-month of a pesticide utilization consultant to train the OENACER mobile team in the safe and effective use of pesticides procured in the U.S.;
3. un fonds de roulement d'un montant de E.U. \$ 2 166 200 afin de financer l'achat annuel jusqu'à 10 000 tonnes de céréales locales;
 4. 3 années de service représentant une assistance technique américaine (un économiste ou un agro-économiste, pendant 3 ans) pour aider à la mise en place d'une unité de planification à l'OENACER et à la réalisation d'analyses de la commercialisation des céréales, de l'entreposage, de la logistique et d'autres opérations de l'OENACER;
 5. 6 années de service d'un personnel technique local (2 voltaïques ayant un diplôme universitaire, pendant 3 ans chacun) pour travailler à l'unité de planification et être formés sur le tas par l'économiste ou l'agro-économiste américain;
 6. une année de service représentant une assistance technique américaine (un spécialiste des systèmes d'information dans la gestion, pendant un an) pour évaluer les procédures d'enregistrement et les méthodes de communication des informations relatives à la gestion de l'OENACER et pour proposer des modifications ou des améliorations dans le système d'information;
 7. environ 11 mois de service d'experts conseil pour les différents aspects des opérations de l'OENACER comme expliqué ci-dessous:
 - (a) un mois de service d'un expert en pesticides pour déterminer les pesticides à utiliser dans les magasins ruraux d'entreposage des céréales;
 - (b) un mois de service d'un expert conseil en utilisation de pesticide pour apprendre à l'équipe mobile de l'OENACER à se servir efficacement et en toute sécurité des pesticides utilisés aux Etats-Unis;

- (c) three person-months of an economist or agricultural economist to identify the sites and appropriate capacities for the first ten rural grain storage warehouses;
 - (d) six person-months of specialists in the economic of grain marketing and technical aspects of grain marketing and storage;
8. six person-months of project evaluation personnel;
 9. short-term training in grain and marketing at Kansas State University for ten OFNACER employees;
 10. short-term local training programs in warehouse management for OFNACER warehouse personnel;
 11. four person-years of U.S. technical assistance (two years X two researchers in economics and economic anthropology) to direct a country-wide examination of the traditional and modern trading sectors to determine the kind and degree of competition, market structure, market integration and quantitative estimates of principal impediments to market integration;
 12. vehicles and operating costs to carry out the duties and responsibilities of the U.S. technical assistance team.
- (c) 3 mois de service d'un économiste ou d'un agro-économiste pour déterminer les sites et les capacités des dix premiers magasins ruraux d'entreposage des céréales;
 - (d) six mois de services de spécialistes en économie de commercialisation des céréales et des aspects techniques de la commercialisation et de l'entreposage des céréales.
8. six mois de service d'un personnel d'évaluation de projet;
 9. une formation de courte durée en entreposage et commercialisation des céréales à l'Université d'Etat de Kansas pour 10 employés de l'OFNACER;
 10. des programmes de formation locale de courte durée en matière de gestion d'entrepôt pour le personnel de l'OFNACER placé dans les magasins d'entreposage;
 11. 4 années de service représentant une assistance technique américaine (2 chercheurs en sciences économiques et en anthropologie économique pendant 2 ans) pour diriger une étude, étendue à l'ensemble du pays, des secteurs de commerce traditionnels et modernes afin de déterminer quels sont la forme et le degré de concurrence, la structure du marché, l'intégration du marché, et afin de réaliser une évaluation quantitative des principaux obstacles à une intégration de marché;
 12. des véhicules et de quoi couvrir les frais de fonctionnement afin de permettre à l'équipe d'assistance technique américaine de remplir ses fonctions et d'assumer ses responsabilités.

Article A: Inputs

USAID project inputs are in the form of funds for technical assistance personnel (technical consultants, an economist or agricultural economist, a management information systems specialist, a research economist, an economic anthropologist and local technicians), training, and commodities, and in the form of P.L. 480 Title II commodities for construction, local training, and constitution of rolling fund. The total U.S. contribution to the project is estimated at U.S. \$6,939,000, over a four year period, subject to mutual agreement of the Parties and availability of funds. The U.S. contribution consists of U.S. \$2,381,000 and 39,000 metric tons of P.L. 480 Title II commodities valued at U.S. \$4,558,200.

The GOV will contribute land, office space and personnel. The total GOV contribution to the project is estimated at U.S. \$237,000 over four years.

Additional Grant Funds will be provided through amendments to the Project Agreement.

A total of approximately 15,000 metric tons of American red sorghum no. 2 valued at U.S. \$1,546,800 were provided to OFNACER in 1977 and 1979. Approximately 24,000 metric tons of additional P.L. 480 Title II commodities valued at U.S. \$3,011,400 will be provided through separate agreements called Transfer Authorizations.

SECTION B. 1.: Personnel, Responsibilities and Qualifications of the American Technical Assistance Team

The American technical assistance team will consist of the following full-time positions:

Article B: Contributions

Les apports de l'USAID au projet se présentent sous la forme de fonds attribués au personnel d'assistance technique (les conseillers techniques, un économiste ou un agro-économiste, un spécialiste des systèmes d'information dans la gestion, un chercheur en sciences économiques, un chercheur en anthropologie économique et du personnel technique local), à la formation, au matériel et sous forme d'aide alimentaire (cf. loi publique 480 titre II), pour couvrir les frais de construction, la formation locale et la constitution d'un fonds de roulement. L'ensemble de la contribution américaine au projet est estimée à \$6 939 000 E.U. sur une période de 4 ans, sous réserve d'un accord mutuel entre les parties et de la disponibilité des fonds. La contribution américaine représente \$2 381 000 E.U. et 39 000 tonnes d'aide alimentaire (cf. loi publique 480 titre II) pour une valeur de \$4 558 200 E.U.

Le Gouvernement voltaïque apportera sa contribution sous forme de terrains, de bureaux et de personnel. L'ensemble de la contribution voltaïque au projet est estimée à \$237 000 E.U. sur une période de 4 ans.

Des subventions supplémentaires seront fournies par des amendement à l'Accord de Subvention.

Un total de 15 000 tonnes (environ) de sorgho rouge américain no. 2 représentant une valeur de \$1 546 800 E.U. a été fourni à l'OFNACER en 1977 et 1979. Une aide alimentaire supplémentaire d'environ 24 000 tonnes (cf. loi publique 480 titre II) représentant une valeur de \$3 011 400 E.U. sera fournie par le biais d'accords séparés appelés Autorisations de Transfert.

SECTION B. 1.: Personnel, Responsabilités et Qualifications de l'Equipe d'Assistance Technique Américaine

L'équipe américaine d'assistance technique sera composée des fonctions suivantes - temps complet:

- economist or agricultural economist (3 years);
- management information systems specialist (1 year);
- research economist (2 years);
- economist anthropologist (2 years);

Part-time consultants will consist of technicians from the following fields:

- pesticide impact on environment (1 person-month);
- pesticide utilization (1 person-month);
- economics or agricultural economics (3 person-month);
- grain marketing and storage (6 person-month);
- evaluation personnel (6 person-month).

The USAID Project Manager will be responsible for project negotiations, coordinating the inputs of the project technicians, ordering project commodities and overseeing construction activities in collaboration with the GOUV Project Manager. He/she will be responsible for the overall operation of the project in conjunction with the GOUV designated counterpart. This person must be able to deal closely with people as this position is one of co-directorship with a GOUV designee.

The economist (or agricultural economist) will be responsible for establishment of a planning unit to advise the Director General and Division Directors of OFNACER, with respect to the location and capacity of storage structures, planning for the buying and selling campaigns, development of basic market

- un économiste ou économiste agricole (3 ans);
- un spécialiste des systèmes d'information dans la gestion (1 an);
- un économiste pour des travaux de recherche (2 ans);
- un anthropologue économiste (2 ans).

Les conseillers à temps partiel seront des techniciens dans les domaines suivants:

- impact des pesticides sur l'environnement (1 personne pendant 1 mois);
- utilisation des pesticides (1 personne pendant 1 mois);
- sciences économiques ou agro-économiques (1 personne pendant 3 mois);
- commercialisation et entreposage des céréales (1 personne pendant 6 mois);
- personnel d'évaluation (personnel présent pendant 6 mois).

Le conseiller technique de l'USAID sera responsable des négociations du projet, de la coordination des travaux des techniciens du projet, de l'agencement du matériel, et il devra superviser les activités de construction en collaboration avec le Chef de Projet voltaïque. Il ou elle sera responsable de l'ensemble des opérations du projet conjointement avec l'homologue voltaïque qui aura été nommé. Cette personne doit pouvoir traiter très habilement avec les gens, sa fonction étant celle d'un co-administrateur avec le membre désigné par le Gouvernement voltaïque.

L'économiste (ou agro-économiste) sera responsable de la mise en place d'une unité de planification afin de conseiller le Directeur Général et les Directeurs de Division de l'OFNACER en ce qui concerne l'emplacement et la capacité de stockage des installations d'entreposage; il sera chargé également d'apporter ses conseils

intelligence to guide operational decision-making, and carrying out analyses of OENACER operations as requested by the Director General. This will require supervision and training of two local employees in planning techniques and analysis and coordination of planning unit activities with the different divisions and the regional controllers. Qualification should include a minimum of a master's degree in economics or agricultural economics, experience in market research or administration in marketing institutions, two years experience in the Sahel or other francophone developing countries, and a strong French language ability.

The management information systems specialist will be responsible for evaluation of the information system in use at OENACER, including formal and informal mechanisms for information transmittal, and will recommend to the Director General and his staff modifications in form and substance which will improve the efficacy of OENACER management. He/she will need to work closely with personnel from the various disciplines within OENACER and find cost-effective methods for improving the quality and timeliness of communications between the divisions. Qualification should include a minimum of a bachelor's degree in Business Administration and a minimum of 2 years experience in management systems design and analysis, two years experience in francophone developing countries, knowledge of French legal and administrative systems, and a strong French language ability.

The research economist and economic anthropologist will be jointly responsible for the studies of the modern and traditional food grain trading sectors, respectively. They will be responsible for development of study materials and procedures, recruitment, training and organization of interviewers and supervisors, collection, processing and analysis of data, and reporting the results and the

dans l'organisation de campagnes d'achat et de vente, de développer les connaissances de base du marché dans le but d'arriver à des prises de décision opérationnelles et d'effectuer les analyses des opérations de l'OENACER sur requête du Directeur Général. Cela supposera une prise en charge et une formation pour 2 employés locaux, des techniques et analyses de planification et de la coordination pour les activités de l'unité de planification avec les différentes divisions et les contrôleurs régionaux. Cette personne devra posséder au minimum une maîtrise en économie ou agro-économie, une expérience de l'étude de marché ou de l'administration des institutions de commercialisation, une expérience de 2 ans dans les pays du Sahel ou d'autres pays francophones en voie de développement, et une solide connaissance de la langue française.

Le spécialiste des systèmes d'information dans la gestion sera chargé d'évaluer le système d'information mis en pratique à l'OENACER, comprenant les mécanismes officiels et officieux de transmission de l'information et suggérera au Directeur Général et à son personnel les modifications dans la forme et le fond susceptibles d'accroître l'efficacité de la gestion de l'OENACER. Il ou elle devra travailler en collaboration étroite avec le personnel des différentes disciplines au sein même de l'OENACER et trouver des méthodes de moindre coût pour l'amélioration de la qualité et de l'opportunité des communications entre les divisions. Cette personne devra posséder au minimum une licence en administration des affaires, une expérience de 2 ans dans les pays francophones en voie de développement, une connaissance des lois et des systèmes administratifs français, et une solide connaissance de la langue française.

L'économiste pour les travaux de recherche et l'anthropologue économiste seront conjointement chargés d'étudier respectivement les secteurs modernes et traditionnels de commerce des céréales alimentaires. Ils seront chargés du développement des procédures et des matériels d'études, du recrutement, de la bonne organisation et de la formation pour les enquêteurs et leurs supérieurs, de la collecte, du

implications of their study findings to USAID and to the GOUV. Given the complexity and size of the research task, qualifications for the research economist should include a doctorate in economics or agricultural economics with specialized training and several years field experience in survey research, in particular with respect to the structure and functioning of markets in a developing country, demonstrated administrative capability, publications of analyses of market structure based on survey research results, strong French language ability, and a willingness to travel frequently and extensively throughout Upper Volta conducting the research.

Qualifications for the economic anthropologist with specialization in rural economies in transition from subsistence to money economies, published analyses of traditional market structures and functions and their relationship to modern markets, demonstrated administrative capability, several years field experience, strong French language ability, and willingness to travel extensively throughout Upper Volta conducting the research.

The short-term technical consultants will be responsible for providing advice in their particular fields of expertise. Qualifications should include several years experience in developing countries with grain storage and/or marketing organizations, an adequate level of French to communicate effectively, and willingness to work on a short-term basis.

traitement et de l'analyse des données et de la transmission des résultats et des implications de leur recherche à l'USAID et au Gouvernement. Compte tenu de la complexité et de l'ampleur du travail de recherche, l'économiste pour les travaux de recherche devra posséder un Doctorat de Sciences Economiques ou d'Economie Agricole avec spécialisation et une expérience d'enquêtes par sondage de plusieurs années, en particulier en matière de structure et de fonctionnement des marchés dans un pays en voie de développement; il devra avoir montré, dans le passé, de grandes capacités d'administration et avoir publié des analyses de structure de marchés basées sur des résultats d'enquêtes; il devra posséder une solide connaissance de la langue française et être prêt à voyager fréquemment et partout en Haute-Volta pour conduire ses recherches.

L'anthropologue économiste devra posséder un doctorat d'anthropologie avec une spécialisation en matière d'économies rurales, sur leur passage de la subsistance à une économie basée sur l'argent. Il devra avoir publié des ouvrages d'analyses des structures et des fonctions du marché traditionnel et avoir traité les relations avec les marchés modernes; avoir fait preuve dans le passé de grandes capacités d'administration; il devra justifier de plusieurs années d'expérience sur le terrain, d'une solide connaissance de la langue française et d'un désir de voyager dans toute la Haute-Volta pour conduire ses recherches.

Les conseillers techniques à court-terme seront chargés d'apporter des conseils dans les domaines particuliers de leur compétence. Ils devront avoir plusieurs années d'expérience dans les pays en voie de développement en matière d'emmagasinement et/ou d'organisations de commercialisation des céréales; posséder un niveau de français assez bon pour communiquer efficacement et être désireux de travailler à court-terme.

SECTION B. 2.: Training

Ten OEW/CFF employees will be selected for training in grain storage and marketing in the United States.

Local training of approximately fifty (50) warehouse personnel may be financed by counterpart funds from P.L. 480 Title II sales.

The OEW/CFF mobile treatment team(s) will be instructed in the use of U.S. procured pesticides.

SECTION B. 3.: Construction and Commodities

Construction will include grain storage warehouses of 150 to 250 metric ton capacity at selected rural sub-prefectures and rural arrondissements. Construction is foreseen for up to 30 warehouses financed by P.L. 480 Title II counterpart funds.

Commodities to be purchased for the rural grain storage warehouses under the project include the following:

- 60 Tarpaulins (15 m x 15 m)
- 60 Tarpaulins (30 m x 15 m)
- 120 Adhesive tape rolls (4" x 100')
- 1230 Sand snakes (6' x 3")
- 30 Portable platform scales (500 kg)
- 60 Gas masks (MS' industrial)
- 120 Extra phosphine canisters for gas masks
- 30 Phosphine detectors
- 60 Moisture meters
- 120 Bag probes

SECTION B. 2. : Formation

10 employés de l'OEW/CFF seront choisis pour suivre une formation en commercialisation et emmagasinage de céréales aux Etats-Unis.

La formation locale d'environ 50 employés de magasin d'entrepasage peut être financée par des fonds de la contre-partie issus des ventes de la loi publique 480 titre II.

L' (ou les) équipe(s) de l'OEW/CFF chargée du traitement recevra toutes les instructions nécessaires pour l'utilisation des pesticides venant des Etats-Unis.

SECTION B. 3. : Construction et Matériel

Les constructions comprendront l'installation de magasins d'entrepasage des céréales d'une capacité de 150 à 250 tonnes dans les sous-préfectures et les arrondissements ruraux choisis. Est prévue la construction de 30 magasins d'entrepasage financée par les fonds de loi publique 480 titre II de la contre-partie.

Le matériel nécessaire pour les magasins d'entrepasage des céréales compris dans le projet s'établit comme suit:

- 60 bâches (15 m x 15 m)
- 60 bâches (15 m x 30 m)
- 120 rouleaux de ruban adhésifs (4" x 100')
- 1230 boudins de sable (6' x 3")
- 30 bascules portatives (jusqu'à 500 kg)
- 60 masques à gaz (modèle industriel MSA)
- 120 réservoirs de phosphine pour les masques à gaz
- 30 détecteurs de phosphine
- 60 Hygromètres
- 120 sondes (pour les sacs)

240 Glass vials	240 fioles en verre
60 Magnifying glasses	60 loupes
120 Tweasers	120 pinces
240 Petri dishes	240 récipients d'analyse
30 Sets of hand sieves (sorghum, maize, rice, millet)	30 assortiments de tamis (sorgho, maïs, riz, mil)
30 Sling psychrometers	30 psychromètres
120 spare thermometers for sling psychrometers	120 thermomètres de rechange pour psychromètres
180 heavy-duty rat traps	180 gros pièges à rats
60 Flash lights	60 lampes torche
240 Spare batteries	240 piles de rechange

Pesticides

Pesticides

For the National Storage Center the following commodities will be purchased under the project:

Pour le Centre National d'Entreposage, le matériel acheté dans le cadre du projet sera le suivant:

2 Hot air ovens (240 V, 50 hz)

2 fours à air chaud (240 V, 50 hz)

20 Thermometers (0° to 120° C)

20 thermomètres (gradués de 0 à 120 degrés C)

8 Rubber stoppers

8 bouchons en caoutchouc

4 Lab scales (550 gram each)

4 balances de laboratoire (jusqu'à 550 grammes)

For the U.S. technical assistance team the following commodities will be purchased under the project:

Pour les équipes américaines d'assistance technique, le matériel suivant sera acheté dans le cadre du projet:

2 four-wheel drive Land-Rover type vehicles.

2 véhicules de type Land-Rover, à 4 roues motrices

Article C: End of Project Status

Article C: Réalisations en fin de projet

End of project targets include:

Les objectifs pour la fin du projet prévoient

1. rolling fund constituted for the annual purchase of 10,000 metric tons of locally grown grain;
2. planning unit staffed and functioning to advise Director General on grain marketing operations;

1. que le fonds de roulement soit constitué pour l'achat annuel de 10 000 tonnes de céréales locales;
2. que l'unité de planification soit pourvue du personnel nécessaire et qu'elle fonctionne afin de conseiller le Directeur

3. all warehouses and equipment in place;
4. basic information regarding structure and performance of national grain markets available to GOUV;
5. U.S. and locally trained OFNACER employees have assumed job responsibilities with their training.

Article D: Responsibilities of Collaborating Parties

This project will be implemented through the GOUV Ministry of Rural Development, National Cereals Office. There will be a USAID Project Manager who, along with his/her GOUV counterpart, will be primarily responsible for general project administration and implementation. Implementation for OFNACER comes from the Director General who supervises the actions of the Commercial Director and Directors of all other divisions to the extent that they participate in the project.

In addition to the USAID Project Manager, USAID will provide two technical assistants as advisors to the Director General and his staff. USAID will provide financing for two local employees to work in the OFNACER planning unit. Their work will be directed by the economist under the supervision of the Director General. USAID will also provide two technicians to direct a study of national grain markets.

cialisation des céréales;

3. que tous les magasins d'entreposage soient mis en place et équipés;
4. que toutes les informations de base concernant la structure et le fonctionnement des marchés nationaux des céréales soient disponibles pour le Gouvernement;
5. que les employés de l'OFNACER formés sur place ou aux Etats-Unis aient pris les responsabilités correspondant à leur formation.

Article D: Responsabilités des Parties en Présence

Ce projet sera exécuté par l'intermédiaire du Ministère du Développement Rural, Office National des Céréales. Il y aura un Conseiller Technique de l'USAID qui, avec son homologue voltaïque, sera principalement responsable de l'administration et de l'exécution du projet dans son ensemble. Les décisions de mise en place pour l'OFNACER seront prises par le Directeur Général qui supervisera les travaux effectués par le Directeur commercial, le responsable de la surveillance du stock et les autres responsables de toutes les autres divisions, dans la mesure où elles participent au projet.

En plus du Conseiller Technique du Projet USAID, l'USAID mettra à disposition 2 assistants techniques qui conseilleront le Directeur Général et son personnel. L'USAID prendra à sa charge le financement de 2 employés locaux qui travailleront à l'unité de planification de l'OFNACER. Leur fonction dépendra directement de l'économiste, sous l'autorité du Directeur Général. L'USAID mettra également à disposition 2 techniciens qui dirigeront une étude des marchés nationaux des céréales.

In collaboration with the USAID Project Manager, OFNACER will manage the marketing of P.L. 480 commodities, technical assistance and local commodities procurement of this project. United States commodities procurement will be handled by a procurement agency such as the Afro-American Purchasing Center (AAPC).

Article D: Disbursement Procedures

The disbursement for local currency operating expenses will be by reimbursement. A local currency account will be established at a local bank. Upon application by the GOUV, USAID will advance funds equivalent to 3 months estimated expenditures which will be deposited in such account, project expenditures will be paid from the account and periodically, but at least quarterly, the GOUV may submit billings or statements to USAID for replenishment. The GOUV will submit to USAID a quarterly financial accounting report, in a form acceptable to USAID, of the project activities for the preceding quarter and cumulative to date, as well as estimated projected expenditures for the upcoming quarter. When the balance of the advance is equivalent to the estimated remaining expenditures to be funded, USAID may process the décomptes as "no pay" vouchers until the advance is liquidated.

Article E: Project Financial Plan

Financial plans are attached as attachments 1, 2 and 3 to this Annex. These plans are subject to change by representatives named in Section 3.3 without formal amendment of the Grant Agreement. Transfers may be freely made between line items provided that no line item is increased more than 15% without written agreement of the Parties and further provided that the total funds obligated by USAID is not exceeded.

En collaboration avec le Conseiller Technique de l'USAID, l'OFNACER aura à charge de s'occuper de la commercialisation des marchandises PL 480, de l'assistance technique et de la fourniture du matériel local nécessaire au projet. La fourniture du matériel américain sera effectuée par l'intermédiaire d'une agence telle que l'Afro-American Purchasing Center (AAPC).

Article E: Procédures de déboursement

Le déboursement pour les dépenses encourues en monnaie locale sera effectué par remboursement. Un compte en monnaie locale sera ouvert dans une banque du pays. A la demande du Gouvernement voltaïque, l'USAID déposera sur ce compte des fonds équivalents aux dépenses estimées de 3 mois. Les dépenses du projet seront payées à partir de ce compte et le GOUV pourra périodiquement, mais au moins trimestrielllement, soumettre les factures et les décomptes à l'USAID pour réapprovisionnement des dépenses autorisées. Le GOUV soumettra trimestrielllement un rapport financier sous forme acceptable par l'USAID des activités du projet du trimestre précédent, cumulatif à cette date, ainsi qu'une estimation des dépenses projetées pour le trimestre suivant. Quant le solde de l'avance est équivalent aux dépenses estimées qui restent à financer, l'USAID peut procéder à des décomptes comme "facturés" jusqu'à ce que l'avance soit liquidée.

Article E: Plan Financier

Les plans financiers constituent les pièces no. 1, 2 et 3 attachées à cette annexe. Ces plans sont susceptibles d'être changés par des représentants nommés à la Section 3.3 sans modification de fond de l'Accord de Subvention. Les transferts entre rubriques peuvent s'effectuer librement pourvu qu'aucune rubrique ne soit augmentée de plus de 15% sans un accord signé des deux Parties, en outre, le total des fonds imposés par l'USAID ne devra pas être dépassé.

GRAIN MARKETING DEVELOPMENT PROJECT FINANCIAL PLAN
(PLAN FINANCIER DU PROJET DEVELOPPEMENT DE LA COMMERCIALISATION DES CEREALES)

Source and Application of Funds - U.S. \$ Thousands
(Source et Application des Fonds - E.U. \$ Mille)

Amount for an Incrementally Funded Project
(Montant pour un Projet Financé par Tranches)

PROJECT INPUTS (REALISATIONS DU PROJET)	: First Year Obligation (Obligations 1ère Année : Fiscal Year 1966 : (Année Fiscale 1966)			: Future Years Anti- : cipated Funding (Années futures : envisagées)			: Life of Project (Durée du Projet)		
	: USAID		: GRANTEE	: USAID		: GRANTEE	: USAID		: GRANTEE
	: FX	: LC	: LC	: FX	: LC	: LC	: FX	: LC	: LC
<u>Personnel</u>									
Long-term (Long-terme)	: 195	: 27	: 19	: 367	: 77	: 192	: 492	: 104	: 291
Short-term (court-terme)	: 76	: 19	: -	: 39	: 6	: -	: 106	: 25	: -
Evaluation	: -	: -	: -	: 63	: 13	: -	: 63	: 13	: -
<u>Commodities (matériels)</u>									
Warehouse Equipment (Equipem. Magasin)	: -	: -	: -	: -	: -	: -	: -	: -	: -
Vehicles (Vehicules)	: 44	: -	: -	: -	: -	: -	: -	: -	: -
Pesticides	: 13	: -	: -	: 123	: -	: -	: 136	: -	: -
<u>Training (Formation)</u>									
Training (Formation)	: 55	: -	: -	: 61	: -	: -	: 116	: -	: -
<u>Other Costs (Autres Frais)</u>									
Local Salaries (Salaires Locaux)	: -	: -	: -	: -	: 30	: -	: -	: 30	: -
Land (Terrain)	: -	: -	: 11	: -	: -	: 25	: -	: -	: 36
PGI/Maintenance (Entretien Vehicules)	: -	: 3	: -	: -	: 28	: -	: -	: 36	: -
Studies (Etudes)	: 239	: 161	: -	: 209	: 171	: -	: 448	: 332	: -
<u>Sub-Total (Sous-Total)</u>									
Sub-Total (Sous-Total)	: 685	: 215	: 30	: 1,106	: 375	: 297	: 1,791	: 590	: 237
<u>TOTAL</u>									
TOTAL	: 900	: 30	: 30	: 1,481	: 297	: 297	: 2,321	: 237	: 237

FX - Foreign Exchange (Devises Etrangères)

LC - Local Currency (Monnaie Locale)

2,618

GRAIN MARKETING DEVELOPMENT PROJECT FINANCIAL PLAN
(PLAN FINANCIER DU PROJET DEVELOPPEMENT DE LA COMMERCIALISATION DES CEREALES)

Source and Application of USAID Funds - U.S. \$ Thousands
(Source et Application des Fonds USAID - E.F. \$ Mille)

Project No. 586-0243

Amount for an Incrementally Funded Project by year
(Montant pour un Projet financé par Tranches par an)

PROJECT INPUTS	FY 80		FY 81		FY 82		FY 83		:Life of Project :(Durée du Projet	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
<u>Personnel</u>										
Long-Term (Long-Terme)	105	27	319	64	68	13	-	-	492	104
Short-Term (Court-Terme)	76	19	30	6	-	-	-	-	106	25
Evaluation	-	-	63	13	-	-	-	-	63	13
<u>Commodities (Matériels)</u>										
Warehouse Equipment (Equipement des hangars)	153	-	233	-	-	-	-	-	386	-
Vehicles (Vehicules)	44	-	-	-	-	-	-	-	44	-
Pesticides	13	-	123	-	-	-	-	-	136	-
<u>Training (Formation)</u>	55	-	61	-	-	-	-	-	116	-
<u>Other Costs (Autres Frais)</u>										
Local Salaries (Salaires locaux)	-	-	-	80	-	-	-	-	-	80
POL/Maintenance (Entretien Vehicules)	-	6	-	23	-	-	-	-	-	36
Studies (Etudes)	239	161	209	171	-	-	-	-	448	332
Sub-Total (Sous-Total)	635	215	1,038	362	68	13	-	-	1,791	590
GRAND TOTAL	900		1,400		81				2,321	

FX - Foreign Exchange (Devises Etrangères)
LC - Local Currency (Monnaie Locale)

Source and Application of P.L. 480 Counterpart Funds - U.S. \$ Thousands
(Source et Application des Fonds de Contrepartie P.L. 480 - F.U. \$ Mille)

Amount for an Incrementally Funded Project
(Montant pour un Projet Financé par Tranches)

Project Inputs (Réalizations du Projet)	Prior Year Obligation (Obligations année Précéd)		Anticipated Funding (Financements envisagés)	Life of Project (Durée du Projet)
	FY 1977	FY 1979		
<u>Construction</u>	-	683	1,584	2,267
<u>Local Training (Formation Locale)</u>	-	-	125	125
<u>Other Costs (Autres Frais)</u>				
Rolling Fund (Fonds de Roulement)	332	532	1,302	2,166
Sub-Total (Sous-Total)	332	1,215	3,011	4,558
<u>Administrative Costs (Frais Administratives)</u>	-	809	2,400	3,209
<u>Emergency Free Distribution Loss or Spoilage of Grain (Distr. Gratuite d'urgence Pertes ou altération des Grains)</u>	-	214	532	746
TOTAL	332	2,238	5,943	8,513

PROJECT GRANT STANDARD PROVISIONS
ANNEX

ANNEXE DES DISPOSITIONS STANDARDS
DE LA SUBVENTION DE PROJET

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Définitions: Tel qu'il est utilisé dans la présente annexe, le mot "Accord" désigne l'Accord de Subvention pour le Projet auquel est jointe ladite Annexe et dont elle constitue une partie. Les termes utilisés dans cette Annexe ont la même signification et les mêmes références que dans l'Accord.

ARTICLE A

Project Implementation Letters

To assist Grantee in the implementation of the Project, AID, from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

ARTICLE A

Lettres d'Exécution du Projet

Pour aider le Bénéficiaire à exécuter le Projet, l'USAID fera parafaire de temps à autre, des lettres d'exécution du Projet donnant de plus amples renseignements sur des questions citées dans l'Accord. Les parties signataires pourront également utiliser des lettres d'exécution de Projet établies d'un commun accord, pour confirmer et consigner par écrit leur accord mutuel sur certains aspects d'exécution du présent Accord. Les lettres d'exécution du Projet ne seront pas utilisées pour modifier le texte de l'Accord, mais pourront servir à prendre acte des révisions ou cas d'exception autorisés par l'Accord, y compris la révision de certaines parties de la description détaillée du Projet telle qu'elle est citée à l'Annexe 1.

ARTICLE B : General Covenants

ARTICLE B : Conventions générales

SECTION B.1. Consultation.

SECTION B.1. Consultation.

The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this

Les Parties signataires devront coopérer pour s'assurer que l'objectif de cet Accord sera atteint. A cet effet, elles devront, à la demande de l'une d'elles, procéder à un échange de vues sur l'avancement du Projet, sur l'exécution des obligations conformément à cet

Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project.
The Grantee will :

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by AID pursuant to this Agreement ; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by AID, be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant will, except as AID may otherwise agree in writing, not be used to promote or assist a foreign aid project or activity

Accord, ainsi que sur les travaux accomplis par les Experts-conseils, les contractants ou les fournisseurs participant au Projet et à d'autres activités reliées au même Projet.

SECTION B.2. Exécution du Projet.
Le Bénéficiaire s'engage à :

(a) exécuter le Projet en veillant à son exécution, avec diligence et efficacité selon les meilleures procédures techniques, financières et administratives et conformément aux documents, plans, cahiers des charges, contrats, calendriers ou autres dispositions (ainsi que les modifications qui y seront apportées) approuvées par l'USAID en conformité avec le présent Accord ; et

(b) désigner des cadres de gestion qualifiés et expérimentés et entreprendre la formation de ce personnel en vue d'assurer l'entretien et le fonctionnement du Projet et selon les besoins, pour la continuation des activités de ce Projet, veiller à ce que cet entretien et ce fonctionnement se fassent de manière à garantir la réalisation continue et avec succès des buts du Projet.

SECTION B.3. Utilisation des Biens et Services.

(a) Toute ressource financée dans le cadre de la Subvention sera consacrée au Projet jusqu'à son achèvement, à moins que l'USAID n'en convienne autrement par écrit. Ces ressources seront par la suite utilisées pour renforcer davantage les objectifs visés par la réalisation de ce Projet.

(b) A moins que l'USAID n'en convienne autrement par écrit, les biens et services financés par la Subvention ne peuvent servir à promouvoir ou aider un projet

associated with or financed by a country not included in Code 935 of the AID Geographic Code Book as in effect at the time of such use.

d'assistance étrangère ou une activité en rapport avec un des pays non inclus au Code géographique N°935 de l'USAID tel qu'il est en vigueur lors de l'utilisation desdits biens et services, ou financés par l'un de ces pays.

SECTION B.4. Taxation.

SECTION B.4. Imposition.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(a) Cet Accord et la Subvention seront exemptés de tous taxes ou droits imposés en vertu de la législation en vigueur dans le pays du Bénéficiaire.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

(b) Au cas où (1) tout contractant y compris toute firme d'ingénieurs-conseils et tout personnel de ce contractant financé dans le cadre de la Subvention, ainsi que les biens ou transactions relatifs à ces contrats et (2) tout achat de biens financés par la Subvention ne seraient pas exonérés de taxes, droits tarifaires ou douaniers et autres impositions établies par la législation en vigueur dans le pays du Bénéficiaire, ce dernier devra, en vertu et conformément aux lettres d'exécution du Projet, et dans les limites qui y sont prévues, payer ou rembourser lesdites sommes avec des fonds autres que ceux fournis dans le cadre de la Subvention.

SECTION B.5. Reports, Records, Inspections, Audit.

SECTION B.5. Rapports, dossiers, inspections, vérifications comptables.

The Grantee will :

Le Bénéficiaire s'engage à :

(a) furnish AID such information and reports relating to the Project and to this Agreement as AID may reasonably request ;

(a) fournir à l'USAID, sur sa demande et dans les limites raisonnables, tous renseignements et rapports relatifs au Projet et au présent Accord ;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating

(b) tenir ou veiller à ce que soient tenus, conformément aux méthodes comptables généralement admises et aux usages uniformément appliqués, des livres de comptes

to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by AID ; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion ; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information.

The Grantee confirms :

(a) that the facts and circumstances of which it has informed AID, or cause AID to be informed, in the course of reaching agreement with AID on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement ;

(b) that it will inform AID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

et des dossiers adéquats relatifs au Projet et au présent Accord, donnant sans restriction tous les détails sur la réception et l'utilisation des biens et services acquis dans le cadre de la Subvention. Ces livres de comptes et des dossiers seront vérifiés régulièrement, conformément aux normes de vérifications comptables généralement admises. Ils doivent être conservés pendant trois ans après la date du dernier déboursement par l'USAID et devront indiquer la nature et l'importance des appels d'offres lancés aux fournisseurs éventuels des biens et services reçus, la base d'adjudication des contrats et des commandes ainsi que le progrès général réalisé vers l'achèvement du Projet ; et

(c) permettre aux représentants autorisés de l'autre Partie d'inspecter, à tout moment raisonnable, le Projet, l'utilisation des biens et des services financés par cette même Partie ainsi que les livres comptables, les dossiers et autres documents relatifs au Projet et à la Subvention.

SECTION B.6. Soumission de renseignements complets.

Le Bénéficiaire confirme :

(a) que les faits et les circonstances sur lesquels il a informé l'USAID ou a fait en sorte qu'elle le soit, en vue de réaliser un accord avec l'USAID sur ladite Subvention, sont exacts et complets et couvrent tous les faits et circonstances qui pourraient sensiblement affecter le Projet et la manière de remplir les responsabilités prévues dans le présent Accord ; et

(b) qu'il informera l'USAID en temps voulu de tous les faits et circonstances subséquents qui peuvent sensiblement affecter, ou qu'on a lieu de croire qu'ils affecteraient le Projet ou la manière de remplir les responsabilités prévues dans le présent Accord.

SECTION B.7. Other Payments.

Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marketing.

The Grantee will give appropriate publicity for the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by AID, as described in Project Implementation Letters.

ARTICLE C : Procurement Provisions

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7.(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as AID may otherwise agree in writing.

SECTION B.7. Autres Paiements.

Le Bénéficiaire affirme qu'aucun paiement n'a été ou ne sera reçu par aucun de ses représentants en rapport avec l'acquisition de biens ou de services financés dans le cadre de la Subvention, à l'exception des droits, taxes ou autres paiements similaires légalement en cours dans le pays du Bénéficiaire.

SECTION B.8. Information et Marquage des Biens.

Le Bénéficiaire assurera une publicité appropriée à la Subvention et au Projet en tant que programme auquel les Etats-Unis ont Contribué. Il identifiera l'emplacement du Projet par une pancarte appropriée et fera marquer les biens financés par l'USAID, tel que le décrivent les lettres d'exécution du Projet.

ARTICLE C : Dispositions concernant l'acquisition des biens

SECTION C.1. Directives spéciales.

(a) La source et l'origine des expéditions aériennes et maritimes seront réputées être le port d'attache du navire ou le pays d'enregistrement de l'avion à la date d'expédition des biens.

(b) Les primes d'assurance maritime souscrites dans le territoire du Bénéficiaire seront considérées "Coûts autorisés en devises étrangères", si elles sont autorisées par la Section C.7.(a).

(c) Tous les véhicules à moteur financés dans le cadre de la Subvention devront être de fabrication américaine, sauf accord contraire de l'USAID notifié par écrit.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Détails on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date.

No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts.

In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing :

(a) The Grantee will furnish to AID upon preparation :

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished AID on preparation ;

(2) such documentation will also be furnished to AID, upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by AID to be of major importance to

(d) Le transport aérien, financé au titre de la Subvention, de biens ou de personnes, se fera sur des transporteurs certifiés aux Etats-Unis dans la mesure où les dits transporteurs peuvent en assurer le service. Les détails de cette disposition seront décrits dans la lettre d'exécution du Projet.

SECTION C.2. Date d'éligibilité au financement.

Aucun bien et service ne pourront être financés dans le cadre de la Subvention lorsqu'ils sont acquis par commandes ou contrats fermes passés ou exécutés avant la date du présent Accord, sauf si les deux Parties en conviennent autrement par écrit.

SECTION C.3. Plans, cahiers des charges et contrats.

En vue de parvenir à un accord sur les questions suivantes et sauf si les deux Parties en conviennent autrement par écrit :

(a) Le Bénéficiaire devra fournir à l'USAID, dès leur préparation :

(1) tous les plans, les cahiers des charges, les calendriers d'acquisition ou de construction, les contrats ou autres documents relatifs aux biens ou services devant être financés dans le cadre de la Subvention, y compris les documents concernant la préqualification et la sélection des contractants, les appels d'offres et les soumissions proposés. Les modifications importantes apportées à ces documents seront également soumises à l'USAID dès leur préparation ;

(2) seront aussi soumis à l'USAID dès leur préparation les documents relatifs à tous les biens et services qui, bien que non financés dans le cadre de la Subvention, sont considérés par l'USAID comme

the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters ;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by AID in writing prior to their issuance, and their terms will include United States standards and measurements ;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by AID in writing prior to execution of the contract. Material modifications in such contract will also be approved in writing by AID prior to execution ; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as AID may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to AID.

SECTION C.4. Reasonable Price.

No more than reasonable prices will be paid for any goods or services financed, in whole or in

ayant une grande importance pour le Projet. Les aspects du Projet portant sur des questions traitées au paragraphe (a) (2) seront précisées dans les lettres d'exécution du Projet.

(b) les documents relatifs à la préqualification des contractants et aux appels d'offres ou soumissions pour les biens et services financés dans le cadre de la Subvention devront être approuvés par écrit par l'USAID avant leur émission, et devront tenir compte, entre autres, des normes et mesures appliquées aux Etats-Unis ;

(c) Les contrats et les contractants financés dans le cadre de la Subvention pour des travaux d'engineering et autres services professionnels, ainsi que pour la construction ou autres services et pour la fourniture d'équipement ou de matériel selon les indications données dans les lettres d'exécution du Projet, devront aussi être approuvés par écrit par l'USAID avant la signature du contrat. Les modifications importantes apportées à ces contrats devront également être approuvées par écrit par l'USAID avant leur mise à exécution ; et

(d) Les bureaux d'ingénieurs-conseils utilisés par le Bénéficiaire mais non financés par la Subvention, l'étendue de leurs services et les compétences de leur personnel affecté au Projet selon les spécifications de l'USAID, les entrepreneurs en bâtiment employés par le Bénéficiaire pour ce Projet non financés dans le cadre de la Subvention, devront être acceptables à l'USAID.

SECTION C.4. Prix raisonnable.

Seuls des prix raisonnables seront payés pour les biens et les services financés en partie ou en

part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers.

To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish AID such information with regard thereto, and at such times, as AID may request in Project Implementation Letters.

SECTION C.6. Shipping

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either : (1) on an ocean vessel or aircraft under the flag of a country which is not included in AID Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which AID, by written notice to the Grantee has designated as ineligible ; or (3) under an ocean or air charter which has not received prior AID approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried : (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source : Foreign Exchange Costs", without prior written AID approval ; or (2) on an ocean vessel which AID, by written notice to the Grantee, has designated as ineligible ; or (3) under an ocean vessel or air charter which has not received prior AID approval.

totalité dans le cadre de la subvention. Ceux-ci devront être obtenus sur une base équitable et, autant que possible concurrentielle

SECTION C.5. Notification des fournisseurs éventuels.

Pour permettre à toutes les firmes américaines de participer à la fourniture des biens et services devant être financés dans le cadre de la Subvention, le Bénéficiaire devra fournir à l'USAID toutes les informations demandées par l'USAID dans les lettres d'exécution du Projet et aux dates spécifiées.

SECTION C.6. Expédition

(a) Les biens à transporter vers le territoire du Bénéficiaire ne peuvent être financés dans le cadre de la Subvention si ils sont transportés : (1) à bord d'un navire ou d'un avion appartenant à un pays non inclus dans le Code Géographique N° 935 de l'USAID en vigueur lors de l'expédition ; ou (2) à bord d'un navire que l'USAID a déclaré "inacceptable" dans une note écrite adressée au Bénéficiaire ; ou (3) à bord d'un navire ou d'un avion affrété sans l'approbation préalable de l'USAID.

(b) Les coûts du transport maritime ou aérien (de biens ou de personnes) et les services de livraison, ne peuvent pas être financés dans le cadre de la Subvention, si ces biens ou personnes sont transportés : (1) à bord d'un navire battant pavillon d'un pays qui, à la date de l'expédition, n'est pas cité au paragraphe de l'accord intitulé "Source d'Acquisition : Coûts en devises étrangères", sans l'accord préalable de l'USAID ; ou (2) à bord d'un navire que l'USAID a déclaré "inacceptable" dans une note écrite adressée au Bénéficiaire ; ou (3) à bord d'un navire ou d'un avion affrété sans l'approbation préalable de l'USAID.

(c) Unless AID determines that privately owned United States-flag commercial ocean vessels, are not available at fair and reasonable rates for such vessels. (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by AID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by AID, and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by AID which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to AID-financed procurement against any marine insurance company authorized to do

(c) Sauf si l'USAID constate que des navires de commerce privés battant pavillon des Etats-Unis ne sont pas disponibles à des prix équitables et raisonnables : (1) au moins cinquante pour cent (50%) du tonnage brut de tous les biens (calculés séparément pour les transporteurs en vrac, les navires de ligne équipés pour cargaisons sèches et les pétroliers) financés par l'USAID et transportables par voie maritime, seront transportés à bord de navires de commerce privés battant pavillon des Etats-Unis ; et (2) au moins cinquante pour cent (50%) du revenu de fret brut pour toutes les expéditions financées par l'USAID et transportées jusqu'au pays du Bénéficiaire à bord de navires de ligne équipés pour cargaisons sèches, devront être payés pour ou au profit de navires de commerce privés battant pavillon des Etats-Unis. Les conditions (1) et (2) contenues dans ce paragraphe doivent être observées pour toutes les cargaisons transportées à partir de ports américains aussi bien que de ports non américains, calculées séparément.

SECTION C.7. Assurance.

(a) L'assurance maritime contractée sur les biens financés par l'USAID et devant être transportés vers le territoire du Bénéficiaire peut être financée en tant que coûts en devises étrangères dans le cadre de cet Accord à condition que : (1) cette assurance soit souscrite au taux concurrentiel le plus faible ; et (2) que les réclamations soient payables dans la monnaie utilisée pour le financement de ces biens ou en toute autre devise librement convertible. En ce qui concerne les achats financés par l'USAID, si le Bénéficiaire (ou son Gouvernement) adopte par statut, décret, loi ou règlement, une attitude discriminatoire contre les compagnies d'assurances maritimes autorisées à exécuter leur activité

business in any State of the United States, then all goods shipped to the territory of the Grantee financed by AID hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of United States.

(b) Except as AID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project ; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in AID Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property.

The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

dans n'importe quel état des Etats-Unis d'Amérique, alors tous les biens expédiés vers le territoire du Bénéficiaire seront assurés contre tous risques maritimes. Une telle assurance sera souscrite aux Etats-Unis auprès d'une ou plusieurs compagnies autorisées à exercer leur activité d'assurances maritimes dans n'importe quel état des Etats-Unis d'Amérique.

(b) Sauf accord contraire de l'USAID notifié par écrit, le Bénéficiaire assurera ou fera assurer les biens financés dans le cadre de la Subvention et importés pour les besoins du Projet, contre des risques inhérents à leur transit jusqu'à leur point d'utilisation du Projet. Une telle assurance sera souscrite à les termes et conditions conformes aux bons usages commerciaux pour toute la valeur des biens. Toute indemnité reçue par le Bénéficiaire sera utilisée pour remplacer ou réparer tout dégât matériel ou toute perte subis par les biens assurés, ou servira à rembourser le Bénéficiaire afin de faire remplacer ou réparer . . . Les biens de remplacement devront avoir comme source et origine les pays indiqués dans le Code Géographique N°935 de l'USAID tel qu'il est en vigueur à la date d'acquisition de ces biens de remplacement et, sauf si les parties en conviennent autrement par écrit, ces biens seront autrement assujettis aux dispositions de l'Accord.

SECTION C.8. Matériel de surplus, propriété du Gouvernement des Etats-Unis.

Le Bénéficiaire accepte d'utiliser, chaque fois que possible, le matériel de surplus, propriété du Gouvernement des Etats-Unis, au lieu d'articles neufs financés par la Subvention. Les fonds de la Subvention peuvent servir à financer l'acquisition de ce matériel de surplus pour le Projet.

ARTICLE D :
Termination, Remedies.

SECTION D.1. Termination.

Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, AID notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to AID within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has

ARTICLE D :
Résiliation et mesures correctives.

SECTION D.1. Résiliation.

Chaque Partie peut résilier l'Accord en envoyant à l'autre Partie un préavis de trente (30) jours. La résiliation du présent Accord mettra fin aux obligations des Parties de fournir des ressources financières ou autres au Projet conformément au présent Accord, si ce n'est pour le paiement qu'elles se sont engagées à effectuer conformément aux engagements non résiliables passés avec des Parties tiers avant la résiliation de l'Accord. En outre, lors de la résiliation, l'USAID peut, à ses frais, demander que le titre de propriété relatif aux biens financés par la Subvention soit transféré à l'USAID si ces biens proviennent d'une source située en dehors du pays du Bénéficiaire, qu'ils soient dans un état livrable et n'aient pas été déchargés dans les ports d'entrée du pays du Bénéficiaire.

SECTION D.2. Remboursements.

(a) En cas de déboursement non accompagné de documents valides conformes au présent Accord, ou non effectué ou utilisé conformément au présent Accord, ou destiné pour les biens ou services non utilisés conformément au présent Accord, et nonobstant l'existence ou l'application de toutes mesures correctives prévues par le présent Accord, l'USAID peut demander au Bénéficiaire de rembourser à l'USAID le montant d'un tel déboursement en dollars des Etats-Unis dans les soixante (60) jours qui suivent la réception d'une telle demande.

(b) Si la non exécution par le Bénéficiaire d'une de ces obligations au titre du présent Accord

the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, AID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to AID within sixty (60) days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to AID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest of other earnings on Grant funds disbursed by AID to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to AID in U.S. Dollars by the Grantee.

a pour résultat que les biens ou services financés au titre de la Subvention ne sont pas utilisés efficacement en application du présent Accord, l'USAID peut demander au Bénéficiaire de rembourser tout ou partie du montant des déboursments effectués dans le cadre du présent Accord pour ces biens ou services en dollars des Etats-Unis à l'USAID dans les soixante (60) jours qui suivent une telle demande.

(c) Les droits au titre de l'alinéa (a) ou (b) de réclamer le remboursement d'un déboursement resteront valides, nonobstant toute autre disposition du présent Accord, pendant une période de trois ans à partir de la date du dernier déboursement effectué dans le cadre de cet Accord.

(d) (1) Tout remboursement dans le cadre de l'alinéa (a) ou (b) ou (2) tout remboursement versé à l'USAID par un contractant, un fournisseur, une banque ou autre tiers ayant trait aux biens et services financés par la Subvention et que ce remboursement soit en compensation d'un prix non raisonnable ou d'une facture erronée pour les biens ou services reçus ou pour des biens jugés inadéquats seront : (A) affectés tout d'abord et dans des limites justifiées au coût des biens et services requis pour le Projet, et (B) le reliquat sera, le cas échéant, appliqué pour réduire le montant de la Subvention.

(e) Tout intérêt ou tous autres gains réalisés sur les fonds de la Subvention décaissés par l'USAID au Bénéficiaire dans le cadre du présent Accord avant l'utilisation autorisée de ces fonds pour le Projet seront retournés à l'USAID en dollars des Etats-Unis par le Bénéficiaire.

SECTION D.3. Nonwaiver of Remedies.

No delay in exercising any right or remedy to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment.

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

SECTION D.3. Non renonciation aux mesures correctives.

Tout retard dans l'exercice d'un droit ou d'une mesure corrective revenant à l'une des parties en rapport avec le financement qu'elle a apporté dans le cadre du présent Accord ne pourra être interprété comme une renonciation à un tel droit ou à une telle mesure corrective.

SECTION D.4. Affectation.

Le Bénéficiaire accepte, si on le lui demande, d'exécuter une affectation à l'USAID de toute cause d'action qui peut échoir au Bénéficiaire pour ce qui est de l'accomplissement contractuel ou d'une rupture d'accomplissement par une Partie à un contrat direct en dollars des Etats-Unis avec l'USAID financé en totalité ou en partie sur des fonds accordés par l'USAID au titre du présent Accord.